

North Sea oil: after
25 years, what
happens next?

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A warm welcome
in the snow and
fog of Syria

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Sundance kids: a
festival of exciting
young film makers

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Has the Bundesbank
saved Emu and sparked
European recovery?

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FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND FEBRUARY 6/FEBRUARY 7 1993

D8523A

Shipyard workers
begin indefinite
strike over pay

Workers at the Yarrow warship yard on Clydeside have begun an indefinite strike for the first time since 1955. The 1,300 strikers rejected the company's two-year pay offer of a £200 lump sum immediately and a 3.8 per cent rise in July in exchange for changes to working practices. The yard, owned by Britain's General Electric Company, has orders for five Type 23 frigates for the Royal Navy and two for the Malaysian navy. Page 22

Zaire PM sacked: Zaire's President Mobutu Sese Seko sacked reformist prime minister Etienne Tshisekedi, with whom he is locked in a power struggle, blaming him for riots which killed at least 50 people.

Ford demands no bail-out for Daimler: Ford demands no bail-out for Daimler Truck maker Ivo Ford called on the government not to bail out beleaguered Anglo-Dutch commercial vehicle maker Daimler, claiming that £750m of debts had been written off by the government, when Daimler took over Leyland Vehicles in 1987. Page 22

Wall Street leads London rally

Share prices rallied strongly at the close of an erratic session, helped by renewed strength on Wall Street. A gain of 17.7 to 2,883.5 on the Footsie had been replaced by early afternoon with a loss of 12.3, but then the mood improved and by the close the index was down only 3.0 to 2,880.5.

Page 13, Markets, Weekend II

British Coal heads for confrontation: British Coal's calls for longer shifts and weekend working to save many of the 31 pits threatened with closure look set to antagonise the National Union of Mineworkers, which is strongly opposed to changes in work organisation. Page 4

Japan may seek imports: Japan said it may further stimulate its economy to attract imports as a result of a 61 per cent rise in its current account surplus last year to a record \$117bn (\$77.4bn). Page 5

Birse reschedules losses: Construction company Birse Group announced a rescheduling of its short-term borrowings on a three-year basis. Chairman Peter Birse said the move reflected the banks' confidence in the group's long-term future. Page 8

Teachers to vote on tests boycott: The second largest teachers' union, NUT, is to ballot its 127,000 members on a boycott of national curriculum tests this year. The tests are due to be sat by all seven and 14-year-olds in state schools. Page 4

Insolvencies rises: The number of personal insolvencies jumped 44 per cent to 36,794 last year compared with 1991. Company insolvencies grew 12 per cent during the year to 34,424. Page 4

Private housing starts down 10 per cent: The number of new homes started by private housebuilders last year fell 10 per cent compared with 1991 to below 121,000. Page 4

Fewer US jobless: US unemployment fell to 7.1 per cent, the lowest level in a year, because of the economy's faster growth. Page 22

Salmon to be destroyed: More than 500,000 salmon worth up to £10m are to be destroyed in the Shetland Islands following the Brier tanker disaster last month. Oil tanker operators endorse new code. Page 4

Lord Bernstein of Leigh: president of the Granada group and founder of Granada Television, died aged 94. Obituary. Page 8



Who is following Mercedes down the small car route? This concept car from a European manufacturer noted for luxury cars could be on the road before the end of the century. Page 2

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,880.5 (-3.0)	New York Index	1,478
Yield	4.27	London	1,447 (1.44)
FT-SE Euroshare 100	1,128.82 (+1.17)	DM	2,395 (2.39)
FT-SE All-Share	1,358.57 (+1.07)	DM	2,395 (2.39)
FT-SE 100	1,358.57 (+1.07)	DM	2,395 (2.39)
New York Index	1,478 (1.44)	DM	2,395 (2.39)
Dow Jones Ind Ave	3,436.44 (+16.72)	DM	2,395 (2.39)
S&P Composite	448.70 (-0.86)	DM	2,395 (2.39)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	2.75%	New York Index	1,478
3-mo Treas Bill Yld	2.30%	London	1,447 (1.44)
Long Bond	7.14%	DM	2,395 (2.39)
LONDON MONEY		DM	
3-mo Interbank	6.1% (Same)	DM	2,395 (2.39)
Libor 3m 6m 12m	10.1% (10.1)	DM	2,395 (2.39)
NORTH SEA OIL (Aegion)		DM	
Brut 15-day March	51.63 (16.55)	DM	2,395 (2.39)
Oil Gold		DM	2,395 (2.39)
New York Comex (Feb)	329.5 (329.5)	DM	2,395 (2.39)
London	329.5 (329.5)	DM	2,395 (2.39)

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Assorted jets for sale in Ukraine arms bazaar

By Chrystie Fretland in Kharkov

MR EVGENI BLINKOV sits at his desk crowded with western-made computers, fax machines and telephones, negotiating with three buyers. He is offering for sale what brokers believe is the most extensive array of Soviet-made military hardware to be sold by private dealers.

Mr Blinkov is director of the Ukrainian-Siberian Commodities Exchange

which used to sell commodities such as oil and grain. These days, the exchange

has fallen on hard times, which is why it has had to turn to less conventional merchandise.

One buyer is from the Americas, another from Europe and there is a mystery purchaser from within the former Soviet Union (but ostensibly representing foreign interests).

Yesterday Mr Blinkov's list of wares included new Sukhoi Su-27 fighter jets (one careful owner) offered for a mere \$31m (\$20.5m) each or, for the budget-conscious, the more modest Su-26 model at \$11.9m. Twenty-seven older Mig-27s

are also available for \$15m apiece. For naval powers, there are two new diesel-powered submarines, going for between \$180m and \$150m each. Buyers interested in shooting down aircraft can purchase a Zenith anti-aircraft system for \$65m.

"If this sale is successful, then I think we can expect to receive further offers," Mr Blinkov said. "There are 15 former Soviet republics and all of them have weapons." He said that an agent from the Baltic republics had already contacted the exchange with a request to

arrange another arms sale. "For us, the more buyers, the better," Mr Blinkov said. "I think we will be able to sell all of the weapons."

The only conditions of sale are that the weapons should be sold outside the Commonwealth of Independent States, that the buyer be licensed within his own country to deal in arms and that the buyer present proof of his ability to pay.

However, Mr Blinkov admits: "I, of course, do not care who the buyers actually represent."

"This is enough to arm an entire nation," a promotional leaflet cheerfully proclaims about the hardware on offer. Officials at the exchange say more than \$20m worth of weapons are up for sale.

The arms sale in Kharkov, which will accept bids until the end of the month and has already conducted two smaller arms trades, is just one sign of the growing availability of sophisticated Soviet military hardware to private buyers.

A few smaller-scale arms sales have

Continued on Page 22

Ministers will be able to float radical ideas

Spending review
to examine basis
of welfare stateBy Ralph Atkins
and Peter Norman

THE GOVERNMENT'S planned review of public spending priorities will look at all principles of the welfare state - however politically sacred - Whitehall officials said yesterday.

Mr Michael Portillo, the Treasury chief secretary, is expected to launch soon, probably next week, the most fundamental re-assessment of spending in areas such as state benefits, health and housing since the early 1980s.

Ministers will be able to float radical ideas - such as the proposal gaining attention in Westminster for "contracting out" unemployment benefit for many workers to private insurance.

Conservative manifesto commitments on preserving universal child benefit and the basic state pension could also be rethought by the next election. Pledges will be honoured until then, however.

"It is an exercise in good house-keeping, asking awkward questions and looking for value for money," said one Treasury aide. "The unthinkable can be thought - but that doesn't mean you are going to do anything about it."

Mr Gordon Brown, Labour's Treasury spokesman, last night

warned that the Tories were in danger of provoking "a wave of anger" throughout the country if promises made in 1992 "become the betrayals of 1993".

Mr Portillo will hope that the announcement will help restore the confidence of financial markets in government economic policy. Public sector borrowing is widely forecast to reach \$50bn in the next financial year and rise even higher in subsequent years, severely curbing the scope for tax

Government work contracts criticised... Page 4
Tory party sheds staff to curb debt... Page 5

cuts and perhaps forcing tax increases.

Eventually the review, expected to last the life of the current parliament, will cover all Whitehall departments but Mr Portillo will focus initially on the biggest spenders in a series of bilateral meetings with ministerial colleagues.

Mr Peter Lilley, social security secretary, has said he is prepared to listen to all ideas - although his department is at present pre-occupied with legislation to equalise male and female retirement ages and on pension regulation. The social security

budget has grown by a quarter in real terms over the past eight years. Contributory benefits, such as unemployment benefit, are likely areas for study, along with fast-growing or expensive benefits such as disability payments and child benefit.

Unlike the last review under Sir Geoffrey (now Lord) Howe, the former chancellor, after the 1979 general election, there will be no target in terms of expenditure cuts but the aim will be to keep downward pressure on public spending. The Treasury believes many areas of government spending have been largely ignored over the last decade.

Last year Mr Norman Lamont, the chancellor, ended the system of negotiating public spending bilaterally with departments in favour of a system in which a "control total" is agreed by cabinet in advance and then spending plans trimmed to fit. The review is a logical development of that process, the Treasury believes.

Since the Conservatives came to power in 1979, health spending in real terms has risen 56 per cent, transport spending by 28 per cent, law and order by 95 per cent and education by 35.5 per cent. Spending on housing has fallen in real terms but, at \$60m, is still one of the larger budgets.

Heseltine
questions
surfeit of
accountantsBy Ralph Atkins
and Andrew Jack

MR MICHAEL Heseltine last night took a swipe at Britain's propensity to produce accountants and lawyers - rather than encouraging craftsmen or technicians in the wealth-creating manufacturing industry.

"There is more to life than financial accounts," the trade and industry secretary told the Scottish branch of the Institute of Directors in Edinburgh.

Wealth creation meant encouraging engineers and scientists as well as entrepreneurs, he said. "I wonder, however, whether the UK economy has got the balance right, between the teeth and tail of wealth creation. And among those offering support services I would include, for example, accountants and lawyers."

The comments from Mr Heseltine, who failed his final accountancy exams, brought a response of weary indignation from Britain's bean-counters, who have long laboured under the reputation of being boring and unimaginative.

He said: "In the UK we train

Bonn and Paris
'now considering
fast track to Emu'

By Lionel Barber in Brussels

FRANCE and Germany are ready to step up monetary co-operation, including the possible fixing of the franc-D-Mark rate, if the exchange rate mechanism is threatened with collapse, according to a growing consensus in Brussels.

Senior diplomats from France, Germany, Britain and other EC member states have come round to the view that a Franco-German initiative is inevitable if instability in the foreign exchange markets leaves the survival of the ERM in doubt.

The Bundesbank's decision to shave half a percentage point off the Lombard rate and a quarter point off the discount rate helped to relieve tensions in the ERM on Thursday. But EC officials are looking for at least one full point off the discount rate within three months to revive the European economy and bolster confidence in the ERM as the vehicle to European monetary union.

Reports that France and Germany have drawn up plans for a "fast-track" move to monetary union have been circulating in Europe for several months, only to be denied vigorously in Paris

and Bonn. Mr Helmut Schlesinger, Bundesbank President, dismissed the idea last week as incompatible with the Maastricht treaty.

But instability inside the ERM - and fears about a devaluation of the franc against the D-Mark - have persuaded a growing number of diplomats and officials in Brussels that a "fast-track" to Emu is now a serious political option which would be justified as saving the ERM and Emu.

A senior French official in Brussels yesterday raised the prospect of an inner group of "hard-core" currency countries moving to "something resembling monetary union" outside the Maastricht treaty.

The official said the emergence of a "fast track" grouping would most likely take the form of a fixing of exchange rates, not a single European currency. Even such a move would pose political difficulties, notably how to keep the door open for EC countries with weaker currencies such as Spain with the peseta. The most serious obstacle lies in the Bundesbank's long-standing scepticism about Emu and a sin-

Continued on Page 22



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NEWS: INTERNATIONAL

Bundesbank hails German pay deal

By Quentin Peel in Bonn

THE Bundesbank yesterday welcomed the 3 per cent public sector pay deal between the government and unions as a step in the right direction.

Mr Hans Tietmeyer, Bundesbank vice president, said many Germans still had to adjust to the changed economic situation since German unification. "It is indisputable that our country is now living beyond its means," he said.

The deal was struck hours after the Bundesbank announced a surprise cut in interest rates in an attempt to ease pressures on the economy and tensions in the European exchange rate mechanism.

"It is even better news for the economy than the Bundesbank decision," said Mr Dieter Vogel, government spokesman. But further evidence of the depth of the recession came with a sharp rise in unemployment in both east and west. Joblessness rose by 10 per cent across the country, up 22,200 in the west to 2,558m, and up 93,600 in the east to 1,194m - or almost 3.5m unemployed in the united economy.

The unemployment rate now stands at 7.4 per cent in the west, from 6.1 per cent a year ago, and 14.7 per cent in the east - without including about 1.8m more workers in the east on job creation and retraining programmes.

The pay deal, struck late on Thursday night between the major public sector unions and the government, will affect 2.3m workers. It will be backdated to January 1 and is in line with the more optimistic expectations of economic observers. It could save a further DM3.7bn (£1.5bn) from public spending at all levels in 1993, according to the Finance Ministry.

In a television interview last night, Chancellor Helmut Kohl said he expected the next pay negotiations for 1.85m white-collar civil servants to be settled at "well under 3 per cent".

At the cabinet meeting, summoned to consider the gloomy annual economic report, which forecasts a decline in gross domestic product of up to 1 per cent, Mr Helmut Schlesinger, president of the Bundesbank, warned against excessive pessimism. He said the economy was facing a "cyclical downturn after 10 years of steady growth". As for the public sector pay deal, he said it was the "beginning of a change for the better" in pay policy.

In a separate speech, Mr

Tietmeyer dismissed criticism that the Bundesbank move was either too premature - coming before any agreement in the government's promised solidarity pact - or too little, too late.

Stressing the bank's moves not simply to cut its discount rate by 0.25 percentage points, and the Lombard rate by 0.5 points, but also to relax its minimum reserve requirements, he said the decisions were a reaction to "the changed internal and worldwide economic conditions, without endangering our stabilisation course... This was a necessary decision which neither changes nor endangers the fundamental policy of [monetary] stability."

Mr Tietmeyer gave firm support to the government's proposed savings package, while stressing that changes could be made, if they did not reduce the total volume of savings in the programme. It is intended to reduce public-sector spending by some DM20bn a year by 1995.

"Monetary policy cannot indefinitely compensate for the necessary adjustment in the public sector, without causing great damage both to our economy and to our partners in the European Monetary System," he warned.

Clinton sees end to gridlock

President's first law was an easy one, reports George Graham

PRESIDENT Bill Clinton signed his first act of Congress into law yesterday, in a ceremony that he and his supporters said signalled an end to the gridlock that has pitted a Republican White House against a Democratic Congress for the past 12 years.

"Today marks the end of gridlock and a new beginning," said Vice-President Al Gore at a signing ceremony in the White House Rose Garden. The Family Leave Act, which will require companies with more than 50 employees to allow workers up to 12 weeks of unpaid leave for the birth of a child or to take care

of a sick relative, was twice vetoed by President George Bush.

Washington gridlock, however, may prove harder to kill. The act was relatively uncontroversial, supported by a quarter of the Republicans in Congress; its impact on business is expected to be slight, as most people work for companies which are either too small to be covered by the law or already offer similar leave.

"This one was a very easy one. It's going to get a lot tougher when we get into health care and budget matters," said Sen Christopher Bond of Missouri, a leading Republican supporter

of the family leave bill.

Mr Clinton and his wife, who is in charge of the administration's healthcare reform project, have spent the past two weeks massaging Congress in a way that some observers say recalls President Lyndon Johnson.

The passage of the act shows the new administration may be able to win Republican support for some of its agenda - despite efforts by some Republicans to block the bill by linking it to Mr Clinton's controversial efforts to end the ban on homosexuals in the armed services.

Under the Senate's procedural rules, which are very

protective of the rights of the minority, the 41 Republican senators ought to be able to block any bill they object to. In practice, however, there are few issues on which they will vote as a party.

Democrats, however, are no more likely to respect the party whip, and some of Mr Clinton's toughest opposition may come from conservatives in his own party, such as Senator Sam Nunn, who has already made Mr Clinton dilute his position on gays in the armed forces, and may withhold support from his economic plans if they do not include a convincing assault on the budget deficit.



President Clinton gestures while waiting to sign the Family Leave Act at the White House yesterday

Milken judge set for top job in Justice

By George Graham in Washington

PRESIDENT Bill Clinton is reported to have selected Judge Kimba Wood to be attorney general, subject to final checks by the Federal Bureau of Investigation to make sure she does not create the same kind of problems that forced his first choice for the position, Ms Zoe Baird, to withdraw.

Ms Wood, a 49-year-old anti-trust lawyer who has been a federal district judge in New York since 1988, is best known for presiding over the trial of Mr Michael Milken, Drexel Burnham Lambert's junk bond specialist, for securities fraud.

Before becoming a judge, she represented the Lloyd's insurance market as an attorney for the New York firm of LeBoeuf, Lamb, Leiby and MacRae.

Some more senior candidates for the position of attorney general, such as Judge Patricia Wald of the federal appeals court in Washington, have declined to make the move from the bench to the Justice Department.

Officials said Mr Clinton would not announce Ms Wood's nomination until FBI background checks had been completed. The process is being conducted carefully to ensure that no flaws, such as Ms Baird's admission that she had hired an illegal alien as a nanny, emerge during her confirmation hearings.

Although a White House spokesman said the president was angered by leaks of the candidates for the position, other officials indicated that Ms Wood's name, along with those of Mr Charles Ruff, a Washington lawyer, and Mr Gerald Baliles, a former governor of Virginia, was being widely circulated to test for reactions.

Money market reform is welcomed by banks

By David Waller in Frankfurt

THE long-awaited cut in interest rates which the Bundesbank delivered on Thursday was less important than the accompanying measures to cut reserve requirements and introduce new short-term money-market instruments, a leading member of the German central bank's policy-making council said yesterday.

Playing down the significance of the 0.5 percentage-point cut in the Lombard rate and the 0.25 percentage point in the discount rate to 9 and 8 per cent respectively, Mr Johann Gaddum said relaxation of minimum reserves and the restructuring of the money market would have profound consequences for the German financial industry.

Mr Gaddum said the measures would help the competitive position of the German

banking community. It has long complained about the reserve requirement which meant that for every DM100 (£41.80) taken as a customer deposit, between DM4.15 and DM12 had to be lodged interest-free with the Bundesbank.

Under the new measures the Bundesbank has cut reserve requirements on time deposits and savings deposits from an average of 4.5 per cent to 2 per cent. Luxembourg, Belgium, Denmark and the Netherlands have no reserve requirements. They are just 1 per cent in France on most types of deposits and 0.35 per cent in the UK.

Mr Hermann Remsperger, chief economist at the BHF-Bank in Frankfurt, said the relaxation of reserve requirements was a "tremendous" measure of support for the German financial services industry. He said that upwards of DM200bn (£83.3bn) in the Euro-

pean money markets could in future be deposited in the German banking system.

Mr Hans Georg Engel, vice-president of J.P. Morgan in Germany and president of the Association of Foreign Banks in Germany, said the move was "an enormous step". Shares in German banks rose strongly yesterday, helping to send the DAX index of 30 leading shares up 39.76 points to its year's high of 1,641.37, up 2.5 per cent. Deutsche Bank shares rose 5 per cent, Commerzbank's 4.5 per cent and Dresdner Bank's 5.7 per cent.

This in part reflected the interest rate cut. But investors were also encouraged by the belief that the reserve relaxation could be a substantial tonic to banks' profits, as they will get interest on DM32bn of deposits currently lodged interest-free at the Bundesbank. Stock markets, Page 18

Cost of borrowing falls in France, Sweden and Ireland

By Alice Rawsthorn in Paris, Tim Cooney in Dublin and Christopher Brown-Humes in Stockholm

FRANCE, Ireland and Sweden yesterday took advantage of Thursday's German interest rate cuts to ease their own cost of borrowing.

The Bank of France yesterday made a slight reduction in its overnight lending facility, to try to alleviate the financial pressure on the French banks and defuse the threat of a rise in base rates.

The cut in the overnight rate - from 11.9375 per cent to 11.635 per cent - was the second reduction in French short-term rates within a week.

It was part of the central bank's efforts to cut the borrowing costs of the commercial banks, which have been hit hard by the discrepancy

between market rates and their own base rates, which have been held at 10 per cent since mid-December.

Despite yesterday's cut in overnight rates, economists are sceptical about the chances of a significant reduction in French official interest rates until German rates have come down further and the Bank of France has had time to replenish its reserves, run down last month during its battle to protect the franc.

Tensions in the Dublin financial markets also eased yesterday as Ireland's Central Bank restored its short-term lending facility of 13.75 per cent, thereby cutting its minimum lending rate by a quarter of a point.

The STF is the peg by which the banks and building societies fix their commercial lending and mortgage rates. It was suspended last November,

however, and replaced by an overnight advance facility which was used by the Central Bank as its main weapon to defend the punt against speculative attacks during the currency crisis.

Its restoration is a signal that liquidity and stability are returning to the Dublin market. The key one-month rate on the interbank market was down to 14 per cent yesterday, which the building societies have been saying is the level to which it must fall if mortgage rate increases are to be avoided.

In Stockholm the Swedish Riksbank, the country's central bank, lowered its key marginal overnight lending rate to 9.75 per cent from 10.5 per cent, with effect from February 9. The marginal interest rate has now fallen by 2.75 percentage points since Sweden floated the krona in November.

SHAPE OF VEHICLES TO COME

\$50m US plan for natural gas car

By John Griffiths

A \$50m development programme that could lead to the first US production of cars powered solely by natural gas has been launched jointly by Ford, a Californian utility and the Chicago-based Gas Research Institute. Another \$23m (£15.2m) is being spent on a similar programme for vans and pick-up trucks.

A fleet of 50 cars, adaptations of Ford's Crown Victoria model, are to undergo trials during a three-year evaluation programme in the US and Canada, during which several other utilities will also monitor the vehicles' operating costs, reliability and other data.

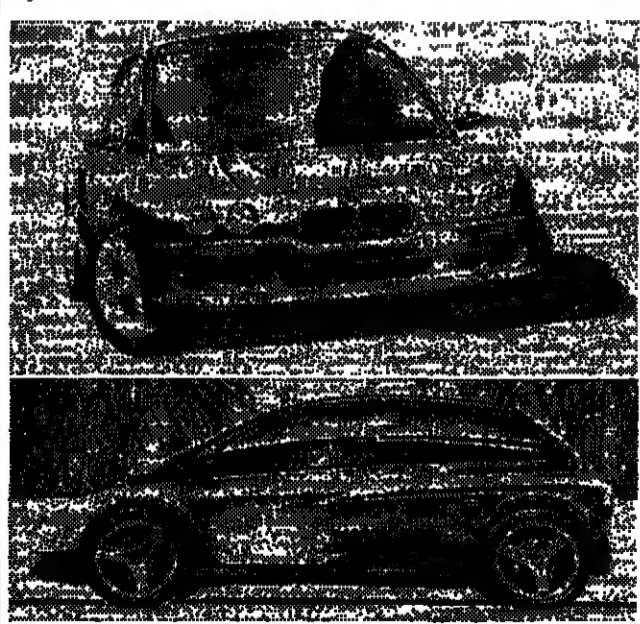
Provided the cars are shown to have competitive operating costs and no reliability drawbacks, there is a potential market of many thousands of vehicles a year from the mid-1990s, as the federal Clean Air Act and individual state legislation clamp down on car exhaust emissions.

Natural gas is potentially one of the cleanest "alternative" fuels and it is claimed that initial tests of vehicles in the programme have shown emissions within California's requirement for ultra-low-emission cars, which starts in 1995.

Under the Clean Air Act, federal and state governments are requiring fleets of 10 or more vehicles operating in the 22

most polluted US cities to begin phasing in very low emission cars, reaching 50 per cent of all fleet vehicles purchased by 1999. While there is already a sizeable market for converting cars to run on either petrol or natural gas, both in the US and Europe, the Ford vehicles will have engine and other components made to take full advantage of the fuel's emissions and energy characteristics.

The Gas Research Institute and Southern California Gas are contributing \$11.5m to the project, with SocCalGas providing the main fuelling infrastructure. It plans to open 51 refuelling stations by the end of this year, which will also cater to converted vehicles.



BMW has developed a small city car for urban commuting (pictured left), which could go into production in the second half of the 1990s in a radical departure from its traditional product policy, writes Kevin Done.

The German producer of high-performance executive and luxury cars plans to unveil a concept city car, code-named Z13, at the Geneva motor show next month, upstaging its arch domestic rival Mercedes-Benz, which last week said it planned to develop such a car for the late 1990s.

The BMW city car has been designed and developed for a "single" driver travelling alone in city traffic. The driver would sit in the middle of the car with a central steering wheel, but with two full-sized seats for possible passengers

seated half behind the driver in a clover-leaf formation. The planned city car is powered by a 1.1-litre BMW motorcycle engine mounted at the rear with a continuously variable automatic transmission.

At just over 11 ft it would be smaller than current small cars, such as the Ford Fiesta or the Renault Clio, but would have a top speed of 112 mph and fuel consumption of 47-58 miles per gallon.

The car would have an aluminium frame and aluminium panels, and despite its small size BMW said it could include an airbag, air-conditioning, a mobile telephone, a computer controlled navigation system and a mobile fax machine.

The Z13 is a further sign that the German luxury car-makers are urgently seeking to move into new segments of the world car market.

Tudjman confident ahead of Croat polls

By Laura Silber in Zagreb

RIDING high on the first Croat military victory over the Serbs in a disputed enclave, President Franjo Tudjman of Croatia is poised to tighten his lock on power in tomorrow's district elections.

Clashes between Serb and Croat forces in Krajina, the self-styled Serb state, yesterday appeared to ease after an upsurge of violence on Thursday.

Mr Tudjman and his Croatian Democratic Union look set to reap the rewards of the 14-day offensive when some 3m voters cast ballots for the upper house of the Croatian parliament.

The Croat push across UN lines into the Serbian enclave helped Mr Tudjman to silence any criticism from the opposition that he has been soft on Serb rebels who in 1991 proclaimed their own state within Croatia. It also served to jeopardise the year-long UN peace plan which ended the eight-month Serbo-Croat war that killed some 20,000 people.

The upper house has only limited power to override the house of representatives.

Meanwhile in the Adriatic, western warships polling a trade embargo on Yugoslavia - now comprising Serbia and Montenegro - yesterday intercepted a Croatian vessel which said it was loaded with explosives. A UN arms embargo, imposed nearly two years ago on the former Yugoslavia - including Croatia - has been widely violated.

TELEFONICA DE ESPAÑA, S. A.

1992 Interim Dividend

The Board of Directors of Telefónica de España, S. A. in its meeting held on January 27th, 1993, adopted the following resolution:

To distribute an interim dividend for the fiscal year 1992 to Telefónica shares that will be the following amount for each one of the shares indicated below:

Number of Shares	Gross amount	Net amount
	(pesetas per share)	
926,959,151	25.00	18.75

It was also agreed that the payment of this dividend shall be carried out on February 17th, 1993, with charge to coupon number 141.

Madrid, January 27th, 1993

THE BOARD OF DIRECTORS

Traumatic week for modest Dutch

Troubles at DAF, Fokker and KLM have hit home hard, reports David Brown

THE perpetually-modest Dutch are disinclined to seek the limelight. But, during a traumatic week for the economy, they have been thrust into international prominence.

Three of the Netherlands' corporate heavyweights - DAF, the truck maker, Fokker, the aircraft company, and KLM, the national airline - have been battered by adversity.

This well-managed, free-trading economy, running a large trade surplus and tipped as a likely winner from the EC's single market, is now worrying about the future.

"All in all, it was an awful week," says Mr Be van der Weg, leader of the FNV industrial union. "It highlighted our international vulnerability, and created an awareness that there is more restructuring to come."

On Tuesday, DAF, the last remnant of Dutch ambition in the European motor industry, announced financial collapse and sought protection from creditors in the Netherlands, Belgium and the UK.

The following day, it was Fokker's turn. The troubled aeroplane manufacturer confirmed reports that it is seeking a state bank loan of up to F11bn (£4.1bn) as its liquidity position worsened.

On Thursday, KLM turned in a massive loss, was forced to cancel F750m

in new aircraft orders and announced another round of rationalisation.

Despite the strength of multinational giants such as Royal Dutch Shell, Unilever and the chemicals specialist Akzo, the country's industrial course is now a matter of concern.

On Monday, Philips, the country's leading electronics company, shelved plans to introduce a European-standard high-definition television (HDTV) on which it had planned recovery hopes.

Over the past three years, Philips has cut its workforce by about 50,000. Amid flat demand for its electronic products, this has had little effect on overall performance.

Dutch business culture, sometimes unwilling to anticipate change, had little influence on the basic factors behind this week's events. DAF, Fokker, and KLM are all suffering from changes in global industrial demand.

Nor is the country's industrial policy entirely at fault. The Dutch government has mixed pragmatism with expediency in recent years - privatising where possible, intervening with limited aid where practicable and productive.

But, in a gloomy economic environment, the Netherlands is seeking ways of combining relatively high labour costs and commitment to free markets with measures to gain international comparative advantage.

While its expertise in agri-business, transport and the *entrepot* business has stood it in good stead, these are hardly the vigorous industries of the future. The country needs to finance education and infrastructure, as well as to stimulate high technology, amid budgetary constraints caused by slower growth.

One important influence has been the recession in Germany, by far the Netherlands' most important trading partner. The Netherlands' latitude in monetary affairs, as a senior Dutch central bank official acknowledges, is "severely restricted".

This year industrial investment is expected to fall 4 per cent, according to the CBS statistics bureau. This contrasts sharply with industry's own forecast of 5 per cent growth, released as late as last summer.

The EC's latest economic forecasts

see Dutch GDP expanding by only 0.6 per cent in 1993. This is still ahead of Germany, but well below accustomed rates of around 2 per cent in recent years.

At present, one in seven of Dutch workers are employed by a loss-making company. In 1993, the percentage will grow to one in four, predicts the VNO industry federation.

"These are alarming figures," says Mr Evert Elbertse, a VNO economist. "Our ideal European landscape has always been one of *laissez faire*. But when we look around, this is not what we see."

Pressures for more interventionist government policies are on the rise. On the high street, too, the atmosphere has changed. Fluorescent "Special Clearance" signs shine from shop windows, as the traditional January sales drift into the second week of February.

While several industrial sectors, including base chemicals and metals, face further difficulties, some of the gloom is exaggerated. There is a chance, for example, that parts of DAF will emerge from the salvage operation in a sufficiently attractive form to woo a foreign buyer. But it seems likely the Dutch will not have to wait much longer for more examples of a transition into a less secure industrial future.

The Financial Times (Europe) Ltd. Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Niederstrasse 2, 6000 Frankfurt am Main 1, Germany. Tel: 069 158835; Fax: 069 596481; Telex: 416192. Represented by E. Higgs, Managing Director, Printer: DVM GmbH-Harburg, International, 6078 Neu-Isenburg 4, Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Raley, 108 Rue de Rivoli, 75004 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert, Printer: SA Nord Eclair, 1521 Rue de Caen, 99100 Roubaix Cedex 1, FRANCE. ISSN 1143-2753. Commission Paritaire No 6780BD.

Financial Times (Scandinavia) Vennskapsakt A/S, DK-1161 Copenhagen K, Denmark. Telephone (33) 13 44 41. Fax (33) 933335.

Rise and rise of Japan's trade surplus

By Robert Thomson in Tokyo

JAPAN'S current account surplus rose 61 per cent last year to a record \$117bn (\$77.4bn) prompting the government to suggest it may further stimulate the economy in an attempt to increase demand for imports and cut the highly sensitive trade surplus.

Tokyo fears the trade surplus, up 28 per cent to \$132bn, will draw criticism from the new US administration, which has indicated a tougher approach to the trade deficit

with Japan.

Exports rose 7.9 per cent and imports fell 2.6 per cent over the year, as domestic demand fell with the slowing of the economy. The finance ministry blamed the increase in exports on a stronger yen, but the figure also reflected a shift to higher value-added exports and the sustained international demand for Japanese quality.

For the month of December, the current account surplus was 10.4 per cent higher at \$11.45bn, a record for the month and the 21st consec-

utive month of year-on-year increases. The trade surplus for the month rose 3.6 per cent to \$13.08bn.

Balance of payments figures for the year showed that foreigners' net purchases of Japanese stocks were \$8.5bn, compared to \$45.2bn in the previous year, suggesting that international investors have yet to regain confidence in the Tokyo stock market.

However, Japanese investors were net sellers of \$8bn in foreign stocks, against net purchases of \$3.6bn in 1991. The

turnaround highlights the retreat of Japanese money from international equity markets, though Japanese net purchases of foreign bonds were \$35.6bn, down from \$68.2bn in the previous year.

The long-term capital account showed a deficit of \$28.07bn for the year, compared to a surplus of \$37.06bn in 1991, while the overall balance of payments had a surplus of \$71.60bn, declining from the \$76.37bn recorded in the previous year.

Mr Mamoru Ozaki, the vice

finance minister, said Japan did not deserve criticism from trading partners because "we are not flooding other countries with exports" and destabilising the world economy. He said the reduction in the official discount rate from 3.25 per cent to 2.5 per cent on Thursday should rekindle economic growth.

But ministry officials admitted that the surplus will remain large for at least this year, as a recovery in the economy is unlikely before the second half.

Finance ministers of G7 to meet soon

By Peter Norman, Economics Editor

FINANCE ministers from the Group of Seven leading industrial countries are to meet soon, probably in London or Bonn.

The meeting is likely late this month or early March, with the February 27-28 weekend a strong possibility.

Mr Lloyd Bentsen, the new US treasury secretary, has pressed for a meeting before the next scheduled G7 gathering, at the end of April.

Mr Norman Lamont, the UK chancellor, is also keen for ministers to meet to discuss ways of boosting activity in the world economy. The bleak outlook in Japan and Europe is casting a shadow over the US upturn. The problems of Russia would probably be on the agenda.

The meeting would allow Mr Bentsen and Mr Yoshio Hayashi, the new Japanese finance minister, to meet other members of the group.

The finance ministers' meeting would not be concerned with preparations for the next economic summit of G7 leaders from the US, Japan, Germany, Britain, France, Canada and Italy, which will be held in Tokyo from July 7 to 9.

Russia space offer

The head of Russia's space agency said yesterday he was willing to agree with the US and Europe a Russian quota of three commercial satellite launches a year, out of a world market of 15 to 16 launches a year, Leyla Boulton writes from Moscow. Mr Yuri Koptev said this would generate badly-needed income of \$200m a year. This indicates he would raise prices to western levels, to assuage fears of low-price launches by Russia's Proton rocket.

UN backs Kuwait

The UN Security Council yesterday approved plans to deploy 750 UN troops on the Kuwaiti border with Iraq following several incidents last month, Michael Littlejohns writes from New York. They replace 350 unarmed observers.

Finnish decline

Finland's economy shrank 3.5 per cent in 1992, the second year of decline, following the collapse of trade with the former Soviet Union and recession in other export markets, Christopher Brown-Humes writes from Stockholm.

Patchy recovery for steel industry

By William Dawkins in Paris

THE recession-hit world steel industry can expect to see slow and patchy recovery, the Organisation for Economic Co-operation and Development (OECD) forecast yesterday.

Overall output and consumption should rise slightly this year, reversing two years of decline, according to the OECD's steel outlook for 1993. It forecasts a 0.5 per cent rise in OECD-wide production this year, a significant turnaround from a 3 per cent per cent fall in 1992. It foresees an even sharper improvement in consumption to 1.5 per cent from a 3.4 per cent fall in 1992. Capacity was almost unchanged last year but will fall in 1993 thanks to cuts by several European steel makers.

The OECD thinks demand might rise sharply in the North American motor industry, thanks to the upturn in consumer spending in the region, and in construction in the US, Australia and Japan, helped by a rise in public infrastructure spending there. Demand for consumer durables and domestic appliances should also rise, especially in the US. Housing

BNL HQ 'knew of Iraq scandal'

By Alan Friedman in New York

SIX separate intelligence reports that were widely distributed inside the Bush administration suggested that the Rome headquarters of the Banca Nazionale del Lavoro (BNL) knew of billions of dollars of militarily-useful loans made to Iraq by BNL's Atlanta branch, according to a Senate report published yesterday.

The 160-page study by the Senate Intelligence Committee says that among the CIA reports - issued between August 1989 and February 1991 - one concluded that "manag-

ers at BNL headquarters in Rome were involved in the scandal".

The Senate report also reveals that none of the relevant CIA information was provided to Department of Justice officials involved in the BNL case, nor to the local prosecutors in Atlanta.

The prosecution of Mr Christopher Drogoul, the former BNL Atlanta manager, is based on the premise that Rome was the victim of the scandal and that no one in BNL Rome had any knowledge of \$6bn of clandestine Iraqi loans from Atlanta. A new BNL trial is expected next autumn.

The Senate committee blames the failure on "breakdowns in the relationship between intelligence agencies and law enforcement, combined with serious errors of judgment by government officials." It says this resulted in a "highly misleading" statement by the CIA last year about its information on the BNL case.

Senator Howard Metzenbaum, an Ohio Democrat who is a senior member of the Senate Intelligence Committee, said a special prosecutor was still needed to investigate the BNL loans scandal, which has been dubbed "Iraqgate" in the US media. Mr Metzenbaum

criticised the report as "too narrow" because it was confined to what the CIA did with intelligence information.

The report, which makes recommendations on how to improve the use of intelligence information in law enforcement cases, also discloses that the CIA became aware in December 1987 that Matrix-Churchill, the UK machine tools company then owned by Iraqi interests, was acting as an Iraqi front company. It was not until September 1988 that the CIA obtained information linking BNL-Atlanta to the Iraqi procurement network and reported it, the report says.

Battle to sell fighters to Malaysia

By Kieran Cooke in Kuala Lumpur

LEADING US executives are making a last ditch effort to persuade Malaysia to buy US fighter aircraft.

McDonnell Douglas, led by Mr John McDonnell, the company's chief in Kuala Lumpur trying to persuade Malaysia to buy F/A-18 multi-role fighters while General Dynamics is trying to sell its F-16 fighters.

Executives from Northrop as well as officials from the Pentagon and US air force were also involved in discussions with the Malaysian defence ministry and air force.

The other contender for sales of up to \$650m is the Commonwealth of Independent States' Mig-29. The purchase of up to 30 Migs may be imminent.

This week Malaysia signed a memorandum of understanding with India on defence co-operation. India has been using Migs for several years and has offered Malaysia maintenance and training support.

US officials here insist that the Mig is inferior to both US-made fighters. But the CIS is believed to be willing to sell up to date avionics with its fighters, whereas the US is not.

An Angolan guard in Lubango, where residents said hundreds of unarmed UNITA supporters were massacred last month



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Personal insolvencies up 44%

Insolvency practitioners have attributed the rise in debtor petitions to the declining stigma attached to bankruptcy during the present recession.



Unions

testing and assessment, and hoped Mr John Patten, education secretary, would think again and "engage in genuine consultation" over the tests.

Once many workers were bussed in from surrounding areas. Today the employment pattern is reversed as increasing numbers of Leyland people



● About 5,000 demonstrators marched from the Leyland Daf assembly plant in Leyland to the town centre yesterday in support of 2,200 local employ-

He also noted that the council had in the past supported management buy-outs and had

This would end overtime working. At present shifts longer than seven and a quarter

The National Union of Mineworkers is opposed to changes in work organisation. Its delegate conference on Thursday rejected unanimously the cor-

secure an international settlement in the multilateral steel agreement negotiations.

The department says the number of new housing starts made by associations jumped by 50 per cent last year from

The department said private sector starts during the final three months of last year were

Isles, the Minches between Scotland's west coast and the Outer Hebrides, and the Pentland Firth between Scotland and Orkney. The new routes

Government

ent Tec c

Contracts

ously anti-social conduct; protecting public health and safety; and preventing the public being misled by statements or actions of an individual or organization.

Mr Major's lawyers said he

Employment Training, the training scheme for people out of work for more than six months, with Employment

The contracts hope to cut training time from 26 weeks to 14 weeks and increase the percentage of funding related to

seemed to conflict with the government's thinking on increasing access to community work.

Mr Major's lawyers said he

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Saturday February 6 1993

The right G7 agenda

BE WARNED. Global co-ordination of economic policy, long out of vogue, is back on the agenda. The Clinton administration wants an early meeting of ministers from the Group of Seven industrialised countries to re-evaluate the G7 consultation process. European Commission president Mr Jacques Delors called on Monday for the G7 to put the world back on a growth track. And at the World Economic Forum in Davos, a talk shop for the fat cats of international economics and business, the corridors were abuzz this week with talk of global growth initiatives.

If policy co-ordination is making a comeback, it is not hard to see why. Yesterday's figures for the Japanese current account make the point all too plainly. With the surplus up by more than 80 per cent to a record \$117.6bn for 1992, there are justifiable fears that the re-emergence of trade imbalances in the G7 will undermine the protectionist instinct of hawkish elements in the new US administration. Yet experience suggests that G7 initiatives are, to put it kindly, something less than a panacea. The case for co-ordination rests on increasing economic interdependence. In a typical OECD country, between a quarter and a half of the impact of domestic policy on economic activity falls not at home, but in other economies. Hence the suggestion that a better collective economic outcome can be achieved through co-operative policy setting, and that the perceived loss of sovereignty involved is more apparent than real.

Perverse results

It sounds sensible enough, but the results have been perverse. The locus classicus of such co-ordinated global growthmanship was the Bonn summit in 1978, at which the US called on Germany and Japan to act as locomotives to pull the world towards a faster recovery. The US attacked the Japanese current account surplus - there is nothing new in global economics - and argued that Japan and Germany, with their low inflation and strong external accounts, were failing to do enough to boost global demand. The two surplus countries then embarked on a fiscal expansion, which coincided with the second oil shock. Inflation was the result, especially in hypersensitive Germany, where it topped 5 per cent in 1979 - even higher than its present post-unification level. Despite some benefits, such as the decontrol of US energy prices, the Bonn summit gave co-ordination a bad name.

Subsequent attempts have been less ambitious, but arguably more damaging. In the 1980s the US, with a savings shortage, and Japan with a mirror-image sur-

plus, became interdependent to an unprecedented degree. Seemingly logical policy co-ordination, first in the Plaza accord, then in the Louvre agreement, ended up by imposing an excessively lax monetary policy on Japan. There followed in Tokyo the biggest speculative bubble since 1929. The aftermath threatens to leave Japan with nil or negative growth this year. For its part, the US failed to deliver on its promises to address its structural budget deficit, which now plagues the Clinton administration.

Monetary strains

In Europe, meantime, the ambitious attempt to turn the semi-fixed exchange rate mechanism into something more rigid has foundered, largely because co-operation was confined to monetary policy and exchange rates. The monetary mixture was incompatible with the loose fiscal policy adopted by Germany after unification. Hence the monetary strains that caused Britain, with a more heavily indebted economy than most other ERM members, to leave the system.

It is possible to be too downbeat about concerted economic action. The early economic summits after the first oil crisis almost certainly helped avert a rapid move to protectionism. But the subsequent lessons suggest that any return to economic co-ordination should focus on limited and attainable objectives.

The most important issue on the agenda remains the preservation of the multilateral trading system. The overwhelming priority should be the completion of the Uruguay round. Equally pressing is the stabilisation of the Russian economy, where loans, technical assistance and improved market access need further attention.

But where the big issues of fiscal and monetary policy are concerned, it would be foolish to expect very much. The experience in the ERM amply demonstrates the problems of defining and addressing exchange rate disequilibria. Where fiscal policy is concerned, the Japanese could be excused, after their experience in the late 1980s, for inserting earplugs before the siren call comes for more co-operative policy-making. Domestic recession is anyway prompting further fiscal and monetary relaxation, which holds the key to reducing the trade surplus.

What is needed from the Clinton administration, before a more ambitious programme is contemplated, is a demonstration that it really does have the will to put its own house in order before jawboning the rest of the world. On past form, that self-denying ordinance seems unlikely to be observed.

Even by the crisis-prone standards of Europe's exchange rate mechanism, it has been a week of extraordinary turbulence. As politicians argue about who is to blame, monetary gunsmoke has been swirling through ministries and financial markets across the continent.

Ireland started the acrimony with complaints against the UK and Germany over the punt's devaluation. As the pound slumped in mid-week to record lows, France intensified an anti-British assault - taking aim at the UK's aggressive interest rate cuts and alleged job poaching through "social dumping".

Hostilities subsided on Thursday with the Bundesbank's unexpected interest rate cuts, intended above all to support the franc ahead of next month's French elections. The vote is expected to bring in a right-wing government which might be tempted to sever the franc's D-Mark link as a way of cheapening French credit and regenerating growth.

This would torpedo the already-faltering plan in the Maastricht treaty for economic and monetary union (Emu) by the end of the 1990s.

After Mr Helmut Schlesinger, the Bundesbank president, said he hoped domino-like speculation against weaker currencies would cease, calm returned yesterday to the foreign exchanges.

But, following four realignments since September, in which countries accounting for 45 per cent of EC gross national product have devalued or left the ERM, currency unrest is unlikely to have been completely quelled.

The ERM, set up in 1978 as the nucleus of the European Monetary System of stable exchange rates, has become a hotbed of instability. The scale of speculative flows across a continent now freed of exchange controls is bigger than ever before. The inflation-adjusted value of the "hot money" streaming into the D-Mark in September was triple the size of the inflows into Germany generated in 1973 by the break-up of the fixed exchange rate Bretton Woods system. Combined with overall European economic strains caused by the shock of German unification, the ERM's assets have put the EC on a knife-edge.

Advocates of EC integration fear a breakdown in European economic co-operation, similar to the experience after the 1973 oil price rises. "We are in a crisis," Mr Jacques Delors, the EC Commission president, said on Thursday.

He welcomed the Bundesbank rate cut as a "good political signal". But Mr Delors pointed to the risk that the European recession, aggravated by Germany's fiscal imbalances and high interest rates, could scupper monetary union. "If there is no growth between now and 1997, there will be no Emu," he said.

Mr Henning Christophersen, EC economics commissioner, sounded an implicit warning that "competitive devaluations" could wreck the EC's barrier-free single market which started on January 1.

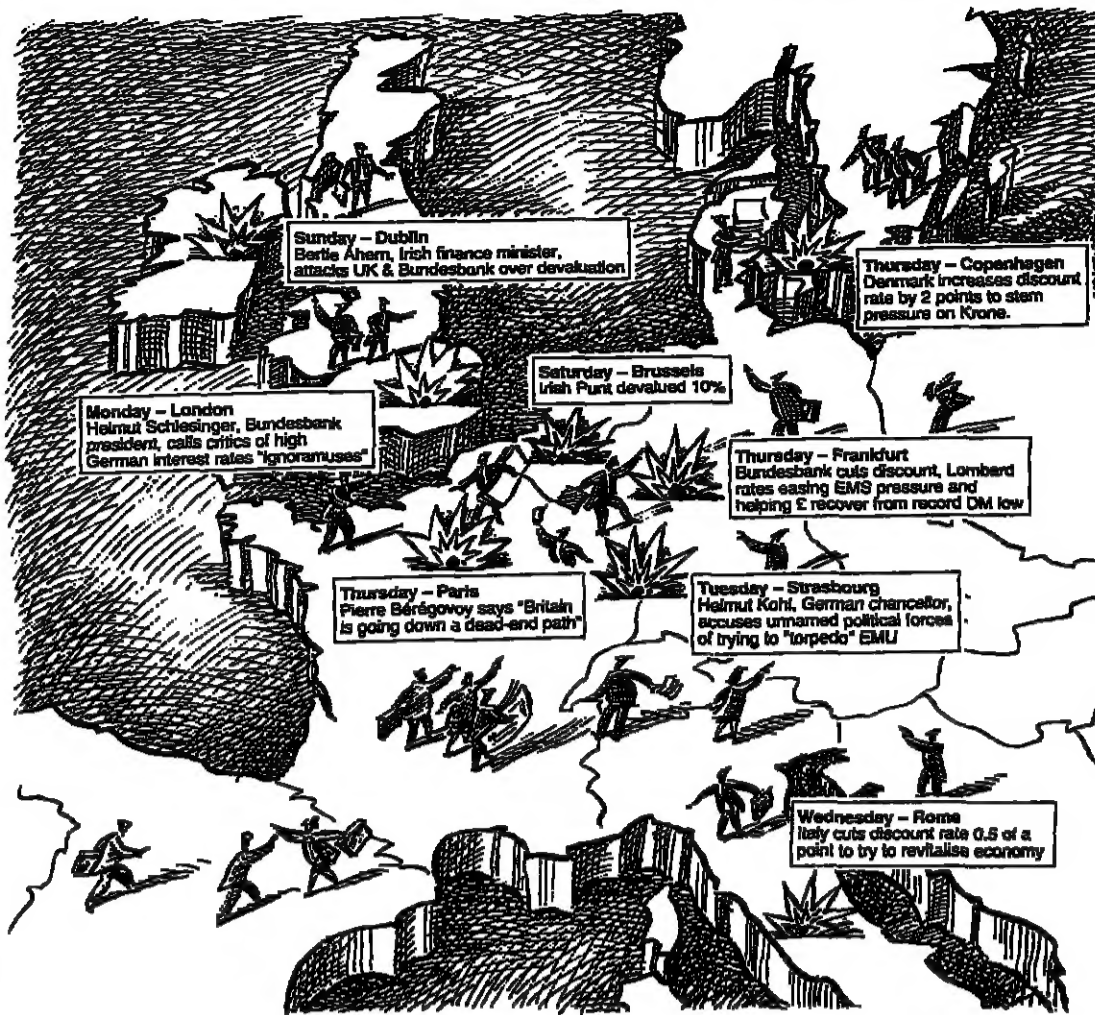
At least the Bundesbank has now signalled it cares about the ERM's fate. Emu supporters in Brussels are looking for further cuts of at least 1 percentage point in the German discount rate - now at 8 per cent - during the next few months.

Assuming - as seems likely - the system survives the French elections, EC governments and central banks during the next few weeks must make crucial decisions on its future.

There are two main alternatives. The ERM could either revert to its original design of providing no

A week of acrimony has fuelled doubts about European integration, write David Marsh and Lionel Barber

Shoot-out at the currency corral



more than a semi-fixed exchange rate framework which would be sporadically adjusted in line with EC economic divergences. Or the Maastricht transition to Emu could be accelerated by the Bonn and Paris governments - creating a "mini-Emu" around a Franco-German core, including the Benelux countries but leaving out Britain and Italy.

The first idea - a return to a more flexible ERM - is favoured by the Bundesbank. Germany's central bank has long been suspicious of the Maastricht Emu plan since it would spell the demise of the D-Mark. Additionally, the Bundesbank argues that the lack of ERM currency realignments between 1987 and 1992 was the main cause of last autumn's upsets.

Indeed, Germany's reunification problems may make a less ambitious ERM inevitable. Because recession has increased budget deficits, most countries, including Germany, are overshooting the Maastricht fiscal targets set as conditions for Emu.

After sterling was forced to quit the ERM in September, Mr John Major, the UK prime minister, announced Britain would not rejoin unless the system's "fault-lines"

were reformed. But the Bundesbank's support for a return to the former ERM arrangements is backed by Denmark, whose krone this week has come under heavy speculative attack.

Mr Erik Hoffmeyer, governor of the Danish National Bank, which was forced to increase its discount rate by 2 points on Thursday, says: "We are not advocating reform of the EMS."

Countries running policies which were not in line with stable exchange rates would have to "stick to the rules" of either adjusting these policies or devaluing, Mr Hoffmeyer says. "You cannot wait and wait for a realignment." Otherwise, the system explodes.

The second ERM alternative, discussed increasingly in Brussels, is more ambitious. Under this plan, the Bonn and Paris governments could speed up the Maastricht timetable to transform the ERM into Emu - establishing a "mini" monetary union.

Officials in Brussels doubt whether the present ERM, including the French franc, can survive intact until 1997 or 1999 when, under the

Maastricht plan, the EC is supposed to make an irrevocable move towards a single currency.

There is a growing belief that the so-called "second stage" of Emu, planned to start next year, is simply too long - an invitation to the foreign exchange markets to attack vulnerable currencies before Emu takes place.

Chancellor Helmut Kohl recently hinted at the possibility of a mini-Emu outside the Maastricht treaty. The idea is fraught with political risk, and has attracted opposition from the Bundesbank.

Nonetheless, there seems to be greater support from French and German politicians. One senior French official in Brussels yesterday predicted that, if the EMS broke down completely, Bonn and Paris would still rescue monetary union. "If the EMS collapsed, I'm sure France and Germany would take an initiative to ensure monetary union. They would be obliged to do it."

Mr Helmut Schmidt, the former West German chancellor, who with French President Valéry Giscard d'Estaing was the chief EMS architect in 1978-79, says he favours a Franco-German "fast track". "I could imagine Europe going forward with a central bank system

and a single currency linking France, the Benelux countries and Germany. This might in time become very attractive for other countries to join - not, in the first place, Britain, but maybe Austria, Switzerland and the Scandinavian countries."

Mr Schmidt, who believes last autumn's currency upheavals could have been avoided if governments had made "timely adjustments", says the "fast track" plan, although desirable, is unlikely.

"I don't give it [the plan] much of a chance. The Bundesbank is against it, as always. They are fighting for the stability of the currency. But they are also fighting to retain their own turf."

Mr Karl Otto Pöhl, former president of the Bundesbank, who resigned in 1991 because of disagreement over the government's reunification policies, also supports a "multi-speed" path to Emu. "A large monetary union [grouping all EC countries] will never come," says Mr Pöhl, now a partner in the Cologne-based Oppenheim bank.

Mr Pöhl, like Mr Schmidt, says he is "under no illusions" over the difficulties of realising a smaller monetary union with a central bank established by Germany, France and the Benelux countries. Late last month, Mr Schlesinger ruled out accelerated monetary union on the grounds that the Maastricht treaty stipulates that Emu cannot start before 1997.

Mr Pöhl says this illustrates the Bundesbank's "adroit" tactics. Although the central bank opposes the treaty's Emu timetable, Maastricht has also become the "main hurdle" faced by advocates of accelerated Emu, Mr Pöhl points out. Whatever the difficulties in realising "fast track" Emu, Britain's economic policies since September may have increased the willingness of France, in particular, to countenance European integration without the UK.

For its part, Britain recognises that Franco-German Emu would harm its interests.

Lord Jenkins, EC commission president between 1977 and 1981, says that, from the viewpoint of continental Europe, "there is a lot to be said for the fast speed idea". He adds: "It would cause enormous problems for Britain... Sterling would be an offshore currency caught between the dollar and the European bloc. We would be more bullheaded."

The main factor heightening antipathy towards Britain in Brussels and Paris is suspicion that the UK is practising benign currency neglect in a dash for growth - ignoring the cost for others in the EC. "Britain," says one EC official, "is drifting off into the Atlantic."

Antagonism has been fuelled by the decision by Hoover, the US intelligence maker, to close its Dijon plant and shift production to Scotland.

All this has revived complaints in Brussels about Britain's failure to sign the Maastricht single chapter - as well as about the UK delay in ratifying the treaty.

If British MPs performed the unexpected and voted down Maastricht ratification this spring, this would greatly increase the likelihood of a drive to Emu by Paris and Bonn. As the battle for Europe's money rumbles on, the risk that a Maastricht No would strengthen still further Franco-German monetary *entente* must be the factor most likely to guarantee the treaty's passage in the House of Commons.

MAN IN THE NEWS: Sir Colin Marshall

This is your captain speaking...

FT writers examine the career and character of the next executive chairman of British Airways



Harder". Within eight years, under Sir Colin's leadership, Avis passed Hertz in European sales and earnings.

It was during his stint at Avis that Sir Colin forged what was then a valued relationship, but which later at BA became a potential Achilles heel. He prized the qualities of Mr Michael Levin so highly that he brought him in as a personal consultant when he joined BA from Sears.

Mr Levin, who died in late 1991, has been described by some observers as the architect of a new aggressiveness at BA that was ultimately to cost its reputation dearly amid the accusations of "dirty tricks" which led to the Virgin Atlantic fiasco.

One observer went so far as to describe Mr Levin as "the dark side to Colin's moon". If such a dark side exists, some light may soon be shed on this enigmatic figure. He was an

avid note taker and his BA files are reported to have been put up for auction by a New York lawyer.

Mr Levin, who once occupied an adjoining office to Sir Colin, was dismissed from BA in late 1989 after a secretary brought a sexual harassment suit in the US. Ba eventually settled the \$5m court action. His name could have emerged again had the Virgin libel action continued, since it appeared in notes compiled by Mr Branson in his personal

notebook. The spectre of his former adviser has proved an irritant not only to Sir Colin, but to other directors, some of whom seem at a loss to explain his apparent influence during his time at BA.

Leaving aside the legacy of Levin's management style and the Virgin debacle - and it is far from clear yet whether BA has put both behind it - Sir Colin needs to restore morale quickly. BA is currently engaged on several international fronts, pursuing its globalisation strategy as well as having to cope with the current airline industry recession.

Global expansion has been the second phase of Sir Colin's overall strategy. The first priority when he joined Lord King was to transform BA's essentially engineering and operational culture into a market-driven one.

The real problem with BA, he once wrote, was that the airline "had forgotten that it was a service industry". One of the first things he did at BA was to put everyone, starting with himself, through customer service training. "He leads by example," observed one former BA consultant.

While taking a lead among European carriers in restructuring the airline, with sweeping job cuts and strong emphasis on holding down costs, Sir Colin sought to tailor its operations to its different markets.

With retailing experience gleaned as deputy chief executive of Sears, the company he joined after Avis, he brought the concept of branding to BA with the launch of products like Club World and Club Europe. The emphasis was on detail. "One of the most important tasks in any service business is to keep the shine on the product day in and day out," he once said.

With BA transformed from the airline universally known as "Bloody Awhl" to what is generally acknowledged as one of the world's most efficient airlines, Sir Colin turned his attention to forging international partnerships and investments.

BA's record in this respect has met with mixed fortunes, winning stakes in some airlines, like Qantas, but failing to buy into operators like KLM and Sabena. It now

believes it has clinched a USAir partnership despite some US opposition to the deal.

Though fiercely ambitious, Sir Colin is quietly spoken, controls his emotions and rarely gives anything away. He is a tough negotiator with a knack for remembering people's names. Those who work with him describe him as "a very straight man who plays it down the middle". He is essentially a private man who keeps his family life separate from that of his business, though his daughter, Joanna, did gain her pilot's licence at the BA flying school.

Away from work, he is also a sports enthusiast, fond of tennis and skiing and a supporter of Arsenal football club. Surprisingly, for a man born and educated in London, he retains a love of Rugby League, the gritty northern professional game, that he developed while spending time with his father in Wigan.

Back in the boardroom, the quest is on for a restoration of normality. The board acted swiftly yesterday to secure the succession of Lord King, and to put into place checks and balances to ensure further misadventures are avoided or rooted out.

In the meantime, peace talks between BA and Virgin continue, and both sides hope for an early and successful conclusion. Another falling-out could spell more trouble, with Virgin pursuing in the US and European courts its allegations of unfair treatment at BA's hands.

Virgin was not the first airline to feel the hot breath of BA. It happened to Sir Freddie Laker, who was compensated in the courts in 1985 only after his business collapsed in 1982.

The lesson was not lost on Mr Branson when Sir Freddie warned him: "For God's sake sue them before they put you out of business rather than afterwards." Though some people might have forgotten the Sky Train battle, Mr Branson has not. He christened one of his aircraft the Spirit of Sir Freddie. He will invoke that spirit to haunt Sir Colin wherever he can.

Report by Richard Donkin, Paul Betts and Michael Cassell

Sir Colin Marshall yesterday assumed complete command of the flight deck at British Airways almost 10 years to the day after climbing aboard as first officer. It is the job he has always wanted, though one which, in the final countdown, could have eluded him.

As the "dirty tricks" row with Virgin Atlantic escalated, there seemed a chance that Sir Colin - too often second-in-command in previous jobs - could be deprived of total control as pressure mounted for a separation of the chairman's and chief executive's responsibilities. Having apparently made clear to colleagues his determination to have full executive responsibility, or none at all, he has won the prize and the challenge of leading "the world's favourite airline" into its next, ambitious phase of development.

His victory means that after a decade of loyal allegiance alongside Lord King, who steps down in the wake of the damaging dog-fight with Virgin, the responsibility is finally his. It is one he will relish.

Unlike Lord King, Sir Colin has never been the flamboyant type. The Marshall-King partnership, perceived as a successful duo in the airline industry, will not be repeated now that Mr Robert Ayling becomes group managing director. Mr Ayling, with initially a legal then civil service background as a former under-secretary at the Department of Trade and Industry, is, if anything, even more understated than Sir Colin.

There will be no doubt about who is in charge. Mr Ayling is more likely to play the role of consigliere, or chief adviser. His legal experience and familiarity with civil aviation's regulatory background, his DTI background and his willingness to promote bold marketing manoeuvres such as last year's "World's Biggest Offer", confirmed him as front-runner for number two.

If Sir Colin is not a showman he has demonstrated that he is at least a "mucker-in". He looked slightly uncomfortable on the cat-walk last week, surrounded by stewardesses and sun-tanned flight attendants, as he presided over the launch of new uniforms for BA staff.

Up early in the morning and working sometimes an 18-hour day, a stickler for detail, and performing all the necessary public functions to further his airline's cause, Sir Colin is clearly more at ease inside a corporate executive suite than mingling with models.

He is the image of the hard-nosed, as-style businessman. But although he sets high standards, he is also informal and is known throughout the airline as Colin.

Lord King recruited him as chief executive in February 1983. He was plucked from Sears after a recommendation by Mr Miles Broadbent of Norman Broadbent, the headhunters. "Colin has got customer service ingrained into him in the shipping business, in the car business, and working for Sears. Service, service, service, that's what he's all about," says Mr Broadbent.

His US corporate experience and concentration on the customer could be one reason why he was considered by American Express to run its travel-related services division two years ago. More recently, he was contacted by Amer and sounded out about the job of group chief executive. Executives at the travel and financial services company say he was a leading outside contender for the job, but the Virgin episode is understood to have cast a cloud over his candidacy.

His career had started humbly enough. When he left University College School, Hampstead, Sir Colin joined the Orient Steam Navigation Company as a cadet purser. He became deputy purser of the SS Orsova, voyaging between England and Australia; "like running a big hotel," he said later.

It was in the US, however, that his career took off, when he joined the car rental business of Hertz Corporation in Chicago as assistant to the vice-president of administration. In six years of managing Hertz operations in various parts of the world, the company remained unchallenged as Europe's leading car rental company.

He was to change all that, however, when he was poached by Avis and began to transform its service image. Male staff were given red jackets and badges saying "We Try

When Richard McBrien, a London freelance author, published *Buying Direct from the USA* last June, it seemed a guaranteed best-seller. The booklet told British consumers how they could order by mail from the US products from jeans to computer software for two-thirds or less of the price at home – even after carriage, excise taxes and VAT.

But the publication's popularity proved short-lived. After sterling fell out of the European exchange rate mechanism in the autumn, sales – which had been as high as 200 copies a day – dwindled rapidly. Although Mr McBrien still gets some inquiries, most concern items unobtainable in Britain, such as spare parts for American classic cars.

Sex with Madonna (the book) can be had in London for barely two-thirds its New York price

For British tourists and shoppers, the great American fire sale is over. Since its 1992 peak of \$2,004 in early September, the pound has lost almost 30 per cent of its value against the dollar, largely erasing the differential in transatlantic prices which last year turned the US into a vast bargain basement.

Yet, though the US no longer offers outstanding value, it is still far from prohibitively expensive. An FT survey this week of a sample of goods and services found that, at a working exchange rate of \$1.45 to the pound, relatively few cost much more in New York than in London – and many

which cost 30 per cent less than in London in July, is now priced at 6 per cent more – admittedly, a newer model. However, recently issued compact discs are still about a sixth cheaper in New York, as are Nintendo Gameboys. A Japanese-made Pentax zoom camera sells for a third less than in Britain, and the difference in the price of Levi Strauss jeans is even bigger.

Such savings may no longer be enough to tempt shoppers across the Atlantic. But unless

sterling plunges much further, living costs for British visitors should still be affordable once they get there – even on Manhattan, probably the most expensive destination in the US.

At \$3.34, a Big Mac hamburger and large fries is 17 per cent cheaper than in central London. At the other end of the scale, the discreetly luxurious Carlyle Hotel offers a \$29 three-course set lunch. Even after the near-obligatory 20 per

cent service charge, that compares well with the \$25 table d'hôte meal at the Connaught, the Carlyle's nearest London equivalent. The cheapest double room at the Plaza on Fifth Avenue is \$246, about £170 at recent exchange rates. By contrast, London's Savoy charges £211.

Partly for these reasons, the travel industry is far from despondent about prospects for British tourist traffic to the US. The Plaza says it had 50 per

cent more UK guests staying last month than a year before. Thomson, Britain's biggest travel company, says the fall in pound has not affected the group's US bookings.

Many British tour operators have insulated themselves against sterling's fall by taking out foreign exchange cover. Thomson, which bought dollars forward at a rate of about \$1.90, is guaranteeing to meet its current brochure prices until the end of the summer.

For those yearning to see Mickey Mouse in his natural habitat, BA currently charges £2,322 for a one-week, all-in trip to Florida's Disney World for a family of four, compared with just £706 for two nights at EuroDisney. But on a per night basis the cost is comparable. In any case, who wants to visit northern France in February?

The omens are mixed as to how many transatlantic tourists will be drawn to Britain this year. Travel agents and

airlines in New York say sterling's fall has not yet given bookings a fillip, while the Savoy hotel group says signs of an increase in American guests are no more than a "glimmer of light".

But at London's Inn on the Park hotel, Americans contributed two-thirds of a 12-point rise in the room occupancy rate last month, compared with a year previously. "It will take time for the new value of the pound to filter through," says Mr Ramon Pajares, general manager. "If the pound stays at this level, we will see a substantial increase in Americans by April."

Mr Bill Melly, director of the Oxford Street Traders' Association, which represents many West End stores, is also cautiously optimistic that his members will see more transatlantic customers this summer – provided there are no more serious bomb explosions in the area.

However, he warns that the benefits of devaluation may be strictly temporary. "Eventually, the merchandise which British retailers buy abroad gets more expensive, and that has to be passed through to the consumer."

That may mean retail prices across the Atlantic will again become a bargain. Such a differential has, in any case, long

been normal for many internationally traded consumer products.

For instance, British retailers say most Japanese consumer electronics companies have persistently charged them trade prices 20 per cent higher than in the US, even though the manufacturing cost of the products concerned was the same. Equally, car prices have long been lower in the US than on the other side of the Atlantic.

However, the pattern may be changing. Timberland, the Maine producer of leisurewear, and Lands' End, a mail order clothing company based in Wisconsin, which began selling in Britain two years ago, say they are holding their UK prices. Both companies are also pushing ahead with plans to expand their British sales.

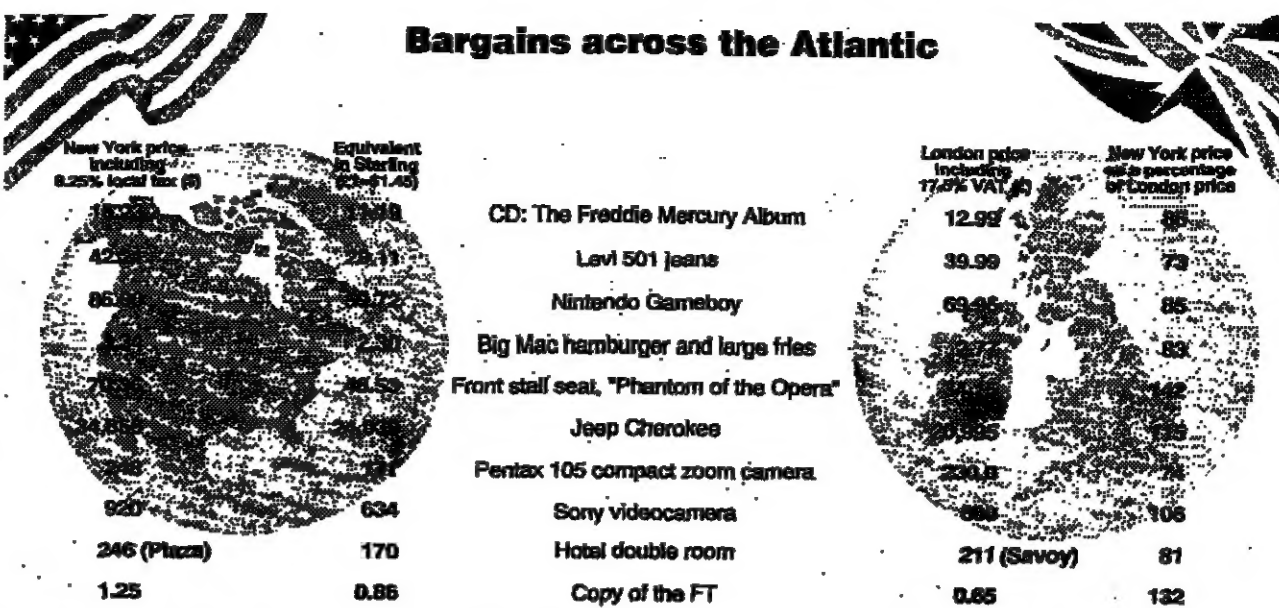
Lands' End says it can afford such a price freeze because it buys more products from suppliers based in the UK than it sells there. Timberland says it is ready to accept lower margins to increase market share.

But there would also seem quite a lot of margin to cut. Six months ago, Timberland shoes cost a third more in Britain than in the US, while the price of the same shirt in Lands' End's US catalogue was half that in the UK version.

New York research by Rika Nachoma

Farewell to the fire sale

Sterling's fall is shifting the balance of power between US and UK consumers, write Guy de Jonquieres and Michael Skapinker



sterling plunges much further, living costs for British visitors should still be affordable once they get there – even on Manhattan, probably the most expensive destination in the US.

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The omens are mixed as to how many transatlantic tourists will be drawn to Britain this year. Travel agents and

For the British, holidays in France will cost a lot more, say FT reporters

A dearer year in Provence

last September Mr Kevin O'Sullivan, a British businessman, agreed to buy a small property adjoining his holiday home in Provence. Though full payment did not have to be made until the end of this month, he decided to play safe by immediately converting enough money into francs to cover the purchase price.

But he was too late. His instructions reached his London bank the day after Black Wednesday. After waiting in vain for sterling to rally, Mr O'Sullivan has finally decided to take out a short-term loan in francs – despite a swinging 15 per cent interest rate – in the hope that a favourable change in exchange rates will enable him to pay it off some time in the future.

Meanwhile, he is facing up to the painful prospect that his next French holiday will be a lot more expensive than his last one. "Even when the pound was at FRF9.70, when you went to the supermarket you could round out the exchange rate and pretend it was actually worth FRF10," he says. "But now that it's at FRF6, you can't kid yourself any longer."

During the boom years of the late 1980s, tens of thousands of Britons decided to consummate a love affair with France by buying a bit of it. Many were attracted by low prices, as little as £25,000 for a cot-

tage, though Mrs Philip Hawkes, an estate agent in Paris, says that of the 30 chateaux she sold in 1988, a third were to British purchasers. As these expatriate owners watch the pound sink on the foreign exchanges, they may be consolidating themselves with the thought that devaluation has, at least, created a substantial capital gain on their investments. But they may be deprived even of that compensation. Mr Vivian Bridge of Northern France Properties estimates that the value of the type of rural property most favoured by British buyers has dropped by about 30 per cent in the past year, mostly since Black Wednesday. The number of sales has fallen by about 40 per cent.

Mrs Sarah Francis of Sifer, another London-based agent, says the market has been particularly weak for properties worth between £30,000 and £100,000. Many agents report a sharp rise in the number of expatriate owners seeking to sell. The problem is the British have come to dominate the market in many remote parts of the country, as the native population has

moved to big cities. As a consequence, the best hope of selling is to another Briton. But of those who are still interested in buying, many are said to be holding back in the hope that the market will sink further, or the franc will be devalued.

France has traditionally vied with Spain as the most popular foreign destination for British tourists since long before they started buying second homes there. According to the British Tourist Authority, 7.4m of them took holidays there in 1991. Though official figures are not yet available, some in the travel industry believe bookings in December for French holidays this summer were well down on the previous year. However, the picture is patchy. Gites de France, an organisation which rents French holiday cottages, says that though bookings from the UK were weak before Christmas, last month they were 7 per cent up on the previous year. French Country Cruises, which sells canal boat holidays in France, says summer bookings are similar to a year ago, but only because of one large group booking. It has

raised prices by 15 per cent since Black Wednesday and is considering a further currency surcharge. P&O European Ferries, the largest cross-Channel carrier, plans no increase in fares to France, though devaluation is forcing it to absorb sizeable cost increases. It hopes the pound's reduced purchasing power will not affect business too badly, arguing that even at the current exchange rate the average cost of food and lodging is lower in France than in Britain.

By all accounts, sterling's weakness has not deterred Britons from taking advantage of the big increase since the start of the year in the value of the duty-paid purchases which they may legally bring back from other parts of the EC. At the Mammouth hypermarket in Calais, sales of alcoholic drinks to British customers was up 20 per cent last month. "There are still a lot of bargains for the day tripper," says Mr Bill Simpson of Courage, the brewing and retailing group, who visited Calais last weekend to see the competitive threat for himself.

Anxieties on this score, along

with the depressed state of the British economy, are likely to restrain price rises on French wine and spirits imports. "I expect prices to move broadly in line with inflation, rather than make up for the devaluation," says Mr Chris Banks, marketing director of J.R. Phillips, a wine and spirits distributor. Though French wine prices rose by between 5 and 10 per cent after Black Wednesday, they face increasing competition from "new world" producers in countries such as Australia and South Africa. "Concern about losing market share is likely to ensure a cautious approach to any further increases," says a spokeswoman for Oddbins, the UK retail chain.

A similar line is being taken by champagne houses such as Bollinger, which has not raised UK prices for two years, and by French cognac producers, which saw their British sales fall 13 per cent last year. Remy Martin, one of the leading marques, says it has no price increases planned. Meanwhile, devaluation has prompted some British companies to capitalise on opportunities for

import substitution. Northern Foods, Marks & Spencer's biggest food supplier, is considering producing in the UK popular delicacies such as *fromage frais*, most of which is currently shipped in from France.

Whether or not such plans lead to fewer French products being sold in Britain, stand by for more visits by the French themselves. The BTA's Paris office says inquiries through the Minitel electronic



Down on the farm: the pound's slide has hurt the French property market

information system about holidays in Britain trebled to 76,000 last year. Mr Pierre Bergasse, deputy director, attributes some of the increase to the cheap pound. But he also concedes that another explanation may be that more people have discovered how to use Minitel.

Reporting by Guy de Jonquieres, Vanessa Houlder, Gary Mead, Philip Ransome and Michael Skapinker in London and David Buchanan in Paris.

Japan's middle management is losing its identity, says Robert Thomson

That terrible tap on the shoulder

When 35 managers at Pioneer Electronic, the video and audio equipment maker, were given the "shoulder tap", as compulsory retirement is known in Japan, the collective disbelief of middle management echoed through the country's business magazines, which concluded unanimously that the salaryman warrior faces an "identity crisis".

The number of redundancies pales in comparison with the large-scale lay-offs at IBM or General Motors or DAF, the truck maker, but the outrage and the insecurity prompted by Pioneer's pruning reflects a deep disillusionment among the middle-aged men popularly believed to have rebuilt Japan since the second world war. Pioneer has extended the deadline for the 35 "samurai", who were supposed to have cleared their desks by January 31. But the decision still stands and most of the group have already accepted that they have no future at the struggling company, and are coming to terms with a role

as a "wet autumn leaf", clinging uncomfortably to their wives at home. A 56-year-old among those to be made redundant complained that no explanation was given as to why he was chosen: "All they told me was that I was not of use – what does that mean, not of use? The sense of uselessness undermines the self-image of his generation, which began careers in the late 1950s, when the semi-spiritual drive to build a strong Japan provided a well-defined role for the selfless salaryman. Managers are not alone in their confusion. Japan as a country now longs for a well-defined role. The clear targets of post-war economic revival have been met, and Mr Kiuchi Miyazawa, the prime minister, now talks curiously of making the nation a "lifestyle superpower".

The true position is that London boroughs do very poorly out of the adjustment. A conservative estimate is that the capital's 33 authorities are being deprived of more than £200m a year precisely because the area cost adjustment does not take London's higher costs into sufficient account. These should include full allowance for salaries and wages, rents and business rates, the costs of homelessness, caring for the very high numbers of refugees, and the London-wide concen-



for renegotiation in a period of corporate restructuring. Cost-cutting programmes have generally targeted women and part-time workers, who are not thought to be party to lifetime employment agreements

and whose retraining does not cause controversy. Companies other than Pioneer have already told middle managers to move on, but less bluntly. Managers working in head office may be told that they will be transferred to a remote sales branch, meaning that there is no place for them within the company. The verdict is often delivered in obscure language, though a lack of explanation is considered to be the "Japanese way".

The 59-year-old wife of one of the Pioneer 35 argued that this vagueness is unacceptable to a worker faithful for four decades, singing the company song, eating in the canteen, and devoting most of his "quality time" to the office and not the family. "He's been with them for 40 years. I guess there's no point in being angry, but things should be

clearer. It's really very difficult to accept. It's also difficult for the same generation to accept that their corporate devotion no longer inspires younger Japanese, who have more pity than respect for the Burberry-coated men half-asleep on the late train home. Over the past month, several Japanese researchers have concluded that the average middle-aged manager is abrasive in handling his juniors, prompts women to turn the other way on train platforms, and tends to forget his wife's birthday.

Another survey, by the prime minister's office, found that middle management attitudes are themselves shifting. About 48.4 per cent of employees in their 40s now believe that job-hopping is acceptable compared with a mere 17.1 per cent in 1983. The result gives the impression that workers are becoming less loyal just as companies are unable to afford loyalty. But Japanese workers are yet to be "empowered". They may be in favour of job-hopping, but the risks of moving

daunt individuals still unclear where obligations end and rights begin. The afternoon tabloid newspapers, aimed at the middle-aged salary worker, provide a clue to the image this generation finds appealing. Each day, the papers are dominated by the name and an action photograph of Mr Shigeo Nagashima, 56, a legendary slugger who has returned from a 12-year retirement to coach the country's best-known baseball team, the Yomiuri Giants.

The well-dressed Mr Nagashima's training tips are plastered across the news pages, giving the impression that he is a modern-day oracle. He is taken far more seriously than the country's politicians, who are keen to be photographed in his presence. A youth magazine surveyed its readers on the man they would most like to have as the department head in their office, and Mr Nagashima came out on top. At least in one respect, some of the younger generation still share the ideals of their superiors.

Daf never big enough to absorb Leyland

From Denis A I Wright. Sir, Your article "Driven to a grinding halt" (February 3) with respect fails to address itself to the real problems within Daf. The dream to become a European truck league was fraught with problems from the outset. The company may have posted record profits in 1989, but so they should have, when truck sales throughout Europe were at record levels. I suggest that Daf was never a big enough company (in every sense) to have absorbed

Leyland in the beginning. Being the market leader in the UK, on the one hand, and losing money on the other, is pure vanity; surely their priorities should have been rationalisation, model integration and restructuring, thus enabling them to have a better chance of competing in a European market that has been suffering with overcapacity for years. Is this the golden opportunity for Hino to take over Leyland in the UK? Denis A I Wright, 46 Rugby Road, Dunchurch, Rugby CV22 6PN

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Poor compensation for living in London

From Sir Peter Bourne. Sir, I was not surprised to read that some local authorities in other parts of the country feel that London does too well out of the area cost adjustment ("A north-south council divide widens", February 3). In the famous phrase, they would say that, wouldn't they?

The true position is that London boroughs do very poorly out of the adjustment. A conservative estimate is that the capital's 33 authorities are being deprived of more than £200m a year precisely because the area cost adjustment does not take London's higher costs into sufficient account. These should include full allowance for salaries and wages, rents and business rates, the costs of homelessness, caring for the very high numbers of refugees, and the London-wide concen-

tionary fares scheme. Further, it is clear that Londoners subsidise those living in other areas of the country. Some £2bn flows out of London through uniform business rate, and London councils will lose a further £220m in grant under the council tax, as a result of higher property values.

Cleveland, Shropshire and others can complain, but they won't find much sympathy from London's council leaders and chief executives, nor from their council tax payers who consistently face higher bills than householders outside London, irrespective of their local authority's political colour. Peter Bourne, chairman, London Boroughs Association, College House, Great Peter Street, London SW1P 3LN

Encouraging development for local policymaking

From Mr Michael Gardiner. Sir, Hurred for Mr Martin Easton, the chief executive of the Local Government Commission for England, in his Personal View ("Power must return to the provinces", February 4). All power to his elbow. The opportunity for citizens to participate in meaningful decisions affecting their communities is being extended in this part of the country by the use of "consultative committees". These allow elected representatives to receive advice from

specialists working within the local community and is helping to improve policymaking. It is a development that should be encouraged. Many people will agree with Martin Easton's final sentence – if the principle of "subsidiarity" is right for Europe, why is it not also right for Britain? Let us hope that the work of his commission will result in power returning to the provinces. Michael Gardiner, 32 Old Vicarage Green, Kynsham, Bristol BS18 2DO

Consumer loses if monopoly question not resolved in Post Office privatisation

From Mr L Patrick Lupo. Sir, You correctly state in your leader, "Parcelling up the post" (February 3), that "the issues of monopoly power should be resolved before privatisation is begun, not tickled as an afterthought". Private express operators have responded to customer demand for cross-border service by investing heavily in

infrastructure over the last 10 years and have provided through a large and stable workforce a high level of innovation and customer service in an intensely competitive market. Investment decisions made by these companies relying upon past government policy need to be protected as rigorously as those of the private

investor taking up shares in a government privatisation. For international express carriers such as DHL, this means not only the freedom to compete, but to do so on completely fair and equal terms in services which are not, for genuine social need, reserved to the Post Office.

Not only should the Royal Mail's monopoly be narrowly construed, but it, like every other post office in Europe, should not enjoy any advantage in the adjacent and supposedly unregulated private express market. It would be an affront to both consumer and competitor to confer monopoly rights which will ensure the success of a share flotation at the expense of distorting competition.

If the question of monopoly power is not resolved before privatisation, the gains of investors will be at the expense of the consumer. L Patrick Lupo, chairman and chief executive officer, DHL Worldwide Express, rue du Noyer 21, 1040 Brussels, Belgium

From SR Hunter. Sir, I have read your recent articles on banking charges for small business with interest. My wife is a partner in a small retail business with an unblemished financial record in the seven years since start-up. Loans have been paid back punctually and the account has never been in the

red. A few months ago it was offered an opportunity to buy stock in bulk at a very attractive price. On inquiring about an overdraft at its high street bank, it found that, if it had used the overdraft fully for the maximum three-month period of the arrangement, the effective interest rate would have been more than 30 per cent per annum owing to arrangement

fees. It would in fact have been cheaper to borrow on her credit card. Anyone who had borrowed from the bank on the basis that it suggested would have been stupid. Maybe it was a customer intelligence test? SR Hunter, 32 Brookmans Avenue, Brookmans Park, Herts AL9 7QJ

COMPANY NEWS: UK

Chairman denies departure connected to Virgin affair Board shuffle at BA as Lord King steps down

By Michael Cassell,
Business Correspondent

LORD KING stepped down yesterday as chairman of British Airways, six months ahead of schedule, in an attempt to bring to an end the continuing controversy over the airline's "dirty tricks" campaign against Virgin Atlantic.

Lord King, who angrily denied that his departure was connected to Virgin's recent High Court libel victory, said he was going early, after nearly 12 years as chairman, to "remove uncertainty and speculation" about the future leadership of BA.

He described his time at BA as "the crowning achievement of my life".

Sir Colin Marshall, chief executive for 10 years, becomes executive chairman of the airline. Mr Robert Ayling, head of marketing and operations, takes up the new post of group managing director.

Lord King's election as president of BA, for an initial three-year period, was accompanied

by a decision to enlist one extra non-executive director yet to be appointed - and to enhance the role of non-executive board members in monitoring the performance of executive directors.

Sir Michael Angus, president of the Confederation of British Industry, who until yesterday was joint deputy chairman with Sir Colin, becomes the sole deputy chairman, with responsibility for leading the non-executive directors and heading the monitoring process.

Sir Colin said Sir Michael would be "a sounding board for the executive and a focal point for the non-executives as well".

Sir Michael said Lord King had left behind him "the strongest possible senior management team".

Together with the recent implementation of a code of conduct for all employees, to be overseen by a special committee of non-executive directors, the moves are intended to ensure that BA does not again make itself liable to Virgin-

type allegations.

It was also announced yesterday that Mr David Burnside, BA's director of corporate affairs, was leaving immediately.

BA is hoping that the fall-out from the Virgin affair will now subside, though it is still in peace talks with Virgin, which will continue next week. Failure to agree new ground rules for competition between the two airlines could yet re-open the controversy.

Sir Colin paid tribute to Lord King, with whom he had enjoyed "a remarkably successful partnership". He said his departure represented "the end of an era" during which he had made an outstanding contribution to BA's conversion from a loss-making, state enterprise to one of the world's most profitable airlines.

He added: "It was a decision to go and it was a generous gesture. He took it to ensure the organisation is better able to settle down and does not have to endure continued speculation".

Stake sale knocks 4½p off Queens Moat shares

By Michael Skapinker,
Leisure Industries
Correspondent

SHARES IN Queens Moat Houses, the hotels group, fell 4½p to 53½p yesterday after an announcement that Mr Martin Marcus, deputy chairman, had sold 1.1m shares for £289,500.

Mr Marcus said he had sold the shares to fulfil personal obligations and that the transaction was not related to any aspect of the group's performance.

He sold 500,000 shares at 57.5p and 600,000 for 57p. He still holds an additional 1.16m Queens Moat shares.

Mr Marcus said the group's close season began on Monday and he would not have been able to deal in the company's shares until after the annual general meeting at the end of May.

He said: "One has to look to one's personal commitments." The sale did not reflect a lack of confidence in the company. "The fact that I have a pretty large holding goes to confirm that," he said.

Mr Marcus said Queens Moat hoped to make an announcement in "the not too distant future" on the use of an international hotel brand. Rumours have circulated for several months that Queens Moat intends to broaden its link with Holiday Inn.

Queens Moat is already a Holiday Inn franchisee on the Continent and in the UK. Holiday Inn is thought, however, to want to increase its UK presence. Last year, Scott's Hospitality, a Canadian company, changed the franchise of 15 of the UK hotels it owns and operates from Holiday Inn to Marriott.

0.37% accept Airtours offer

Airtours has received valid acceptances of its hostile bid for Owners Abroad, its rival holiday company, from shareholders representing 0.37 per cent of the capital.

Acceptances were likely to be low at the first closing date given that the Office of Fair Trading is still considering a referral to the Competition and Markets Commission.

Mr Howard Kiela, Owners Abroad chairman, called the level of acceptances paltry.

Hambros wins Norwegian case

By Maggie Urry

HAS THE ghost of Hilmar Reksten, the "Norwegian Onassis" whose bankruptcy in the 1970s nearly broke Hambros, the merchant bank, finally been laid? "I sincerely hope so," said Mr Christopher Spörberg, deputy chairman of Hambros, with some feeling.

Yesterday Hambros won a court case in Oslo which it hopes will mark the end of an affair dating back to the 1973-74 oil shock and the shipping crisis that followed.

Hambros was being sued for £200m, plus interest on that amount since 1989, by the Norwegian Guarantee Institute, which had guaranteed Mr Reksten's loans, and by the trustees of Mr Reksten's estate. Mr Reksten died in 1980.

The plaintiffs had claimed that Hambros had known about a fortune Mr Reksten had allegedly secretly salted away in overseas tax havens to avoid Norwegian tax. Mr Spörberg said yesterday, "If he had, we never got our hands on it".

As though Mr Reksten's shade could not resist a last laugh, Hambros shares were in turmoil yesterday as news of the bank's legal triumph took more than half an hour to filter through to the stock market.

Hambros shares opened at 289p and moved little until 12.01 the bank announced that judgment in the case had been issued in Oslo and a further announcement would be made.

Fearing the worst, and that the bank might be made to pay the £200m plus sum, the shares plunged to 240p in the next few minutes. It was 12.34 before a statement saying the court found in Hambros' favour appeared on the Stock Exchange screens.

The problem was that the 200-page judgment was in Norwegian. As soon as Hambros' lawyer in Oslo reached the word "acquitted" in the document the message was passed to Hambros and on to the Stock Exchange.

After that Hambros shares rapidly returned to the opening level and then gained another 15p to close at 313p.

Mr Spörberg said that he expected another claim against the bank to be dropped now. Hambros has had to bear its own costs in the case.

Hambros had lent "hundreds of millions" to Mr Reksten, who owned a fleet of oil tank-

ers, and Norwegian shipping owners generally in the 1970s. Mr Spörberg said. After the oil shock the tanker market collapsed and the Norwegian government set up the Guarantee Institute to help Norwegian shipping companies by guaranteeing their loans.

After Mr Reksten's death Hambros came to a "full and final settlement" in 1982 with the institute and the trustees, which involved Hambros paying a substantial sum.

Hambros had thought that was the end of the matter, but in 1989 the plaintiffs started proceedings against Hambros, saying new evidence had come to light that Hambros had concealed information. The court yesterday found that there was no new evidence and the 1982 agreement should stand.

Receiver at Crown's French arm

By Raymond Snoddy

RFM, the French radio network that triggered the collapse of Crown Communications, has itself gone into receivership.

However, the network, which has a total of 114 stations and goes under the slogan "Tous les tops, tous les jours" (all the hits, all the days), all the hits and none of the flops) is still on the air.

The intention is to run it as a going concern while the merits of three different rescue plans are considered. The salaries of staff will be paid out of advertising revenue.

The collapse of Crown followed the decision of the CSA, the French broadcasting authority, to block the sale of the network to a consortium that included NRJ, a rival French radio network, and Mr Alain Ayache, a contro-

versial right-of-centre magazine publisher.

The NRJ consortium is one of those now trying to buy the network from the receiver.

TF1, the French first television channel, has also made a proposal to save the radio network. The third rescue plan is for a management buy-out of RFM. CSA approval will be needed for any change of ownership at the radio network.

Crown had debts of £18m when it went into receivership, most of them because of the French operation.

Crown's main business, LBC, the London talk-based commercial radio station, did not go into receivership and is now under the effective control of Chelverton Investments, a company set up by Mr John Porter, son of Dame Shirley Porter, and his partner Mr Matthew Cartier.

Northumbrian incurs loss and sells Lees

By Angus Foster

NORTHUMBRIAN Fine Foods, the biscuit and snacks maker, yesterday announced interim losses and said it had sold Lees of Scotland, the confectionery subsidiary which it bought in September 1991.

Negotiations on the sale delayed publication of Northumbrian's results, due on Wednesday. The company's shares, which were suspended on the USM pending the announcement, resumed trading yesterday and fell 2p to 15p.

For the half year to September 30 losses within Lees and price competition in the biscuit industry led to pre-tax losses at Northumbrian of £1,662,000, compared with profits of £262,800 last time.

Continuing activities went from profits of £253,500 to losses of £180,400, before exceptional costs of £315,000 on restructuring.

Turnover more than doubled to £11.1m, because of the Lees contribution. Turnover on continuing activities increased 43 per cent to £8.99m. But margin pressure saw operating profits on continuing activities collapse from £263,000 to £27,600.

Losses per share amounted to 2.96p (earnings 0.7p) and the interim dividend is being passed - 0.7p was paid previously but the final was omitted.

Northumbrian paid \$4.8m for Lees but the acquisition had performed poorly. The company admitted it paid too much for Lees, which made pre-tax losses of £262,300 in the six months to September 30.

Lees was sold to the Claymore Group, a private company led by Mr Raymond Miquel, who chaired Arthur Bell before it was acquired by Guinness.

Northumbrian will receive £1.15m in cash, payable between 1994 and 1996. The Lees brandnames will be retained by Northumbrian but Claymore has an option to acquire the brands for £1m.

Most importantly for Northumbrian, Claymore will assume Lees' borrowings of nearly £3m. That will reduce Northumbrian's net debt to £4.4m, compared with £5.8m in March.

Birse runs up £2.7m loss

By Andrew Taylor,
Construction Correspondent

BIRSE GROUP yesterday announced details of a refinancing of its bank loans which it said should put to rest rumours that it was about to join other construction companies which had failed.

Mr Peter Birse, chairman, said that all of the company's short-term borrowings had been rescheduled on a committed three-year basis to May 1996 "reflecting the banks' confidence in the group's long-term future".

At the same time Birse announced a pre-tax loss of £2.7m for the six months to the end of October compared with profits of £1.8m.

The company, in which Billfinger Berger, the German contractor, has a 15 per cent stake, has decided not to pay an interim dividend (1.65p). This is after making a loss per share of 3.6p (1.8p earnings). Turnover fell from £189m to £184m.

Operating losses amounted to £489,000 (£3.35m profits) and the pre-tax result was after a jump in interest charges from £1.45m to £2.28m.

Mr Birse, commenting on the

results and the refinancing, said: "There have been a lot of rumours lately, mostly spread by competitors, that we were about to go down the same route as Budge and Lilley, which recently went into receivership. We have been very successful in winning work and increasing our market share, because we offer customers a very competitive price. This has prompted envy from competitors which have been trying to undermine our business."

Mr Birse said that the banks had agreed to reschedule all of the group's debts with any extra cost in borrowing "which they would not have done if they had any doubts about our future."

The switch from short-term to medium-term borrowings also means that the company will find it easier to satisfy financial criteria demanded by some utilities before they will allow companies to tender for work.

Nonetheless, Birse remains highly geared. Net debt of £489,000 at the end of October compared with shareholders funds of £25m. Debt is expected to fall to £30m by the

end of the financial year at April 30, leaving gearing still in excess of 100 per cent.

The company said that trading conditions continued to be very harsh. It remained determined, however, to maintain its high level of business and keep its construction team together, even if it meant continuing to bid very competitive prices and upsetting competitors.

The shares closed 2½p down at 30½p.

ADVERTISING

BUILDING SOCIETY INVESTMENT TERMS

\$2.7m for the six months to the end of October compared with profits of £1.8m.

The company, in which Bill Berger, the German contractor, has a 15 per cent stake, has decided not to pay an interim dividend (1.65p). This is after making a loss per share of 3.6p (1.8p earnings). Turnover fell from £198m to £164m.

Operating losses amounted to £429,000 (£3.25m profits) and the pre-tax result was after a jump in interest charges from £1.45m to £2.28m.

Mr Birse, commenting on the

they would not have done if they had any doubts about our future."

The switch from short-term to medium-term borrowings also means that the company will find it easier to satisfy financial criteria demanded by some utilities before they will allow companies to tender for work.

Nonetheless, Birse remains highly geared. Net debt of approaching £40m at the end of October compared with shareholders funds of £25m. Debt is expected to fall to £30m by the

pany is worth supporting and will survive. Having said that, the trading outlook, in the company's own words, remains harsh. Contracting at best will break even for the year while commercial property is likely to remain a tough market for at least another 18 months.

The company, however, is no longer under any immediate pressure to sell property at distressed prices to reduce borrowings. Losses for the year could total £5m to £8m say analysts. The shares are unlikely to attract new buyers.

Airtours offer

Airtours has received valid acceptances of its hostile bid for Owners Abroad, its rival holiday company, from shareholders representing 0.37 per cent of the capital.

Acceptances were likely to be low at the first closing date given that the Office of Fair Trading is still considering a referral to the Monopolies and Mergers Commission.

Mr Howard Klein, Owners Abroad chairman, called the level of acceptances paltry.

ADVERTISEMENT

BUILDING SOCIETY INVESTMENT TERMS

Name of Society	Project	Estm	Rev	Est	Est	Interest	Minimum	Account and other details
Albion & Leicester	Home 96	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 97	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 98	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 99	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 100	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 101	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 102	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 103	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 104	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 105	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 106	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 107	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 108	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 109	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 110	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 111	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 112	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 113	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 114	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 115	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 116	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 117	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
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	Home 119	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 120	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
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	Home 123	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 124	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 125	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 126	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 127	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 128	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 129	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 130	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 131	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 132	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 133	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 134	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 135	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 136	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 137	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 138	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 139	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 140	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 141	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 142	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 143	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
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	Home 159	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
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	Home 165	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 166	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 167	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
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	Home 170	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 171	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
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	Home 174	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
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	Home 179	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 180	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 181	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 182	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 183	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 184	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 185	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 186	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
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	Home 188	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 189	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 190	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 191	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 192	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 193	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 194	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 195	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 196	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 197	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 198	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 199	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25
	Home 200	8.25	8.25	8.25	8.25	Fixed	£100,000	£100,000, 3.5% p.a. 25

* For telephone rural local direction. Effect of basic rate tax, C&I - Annual yield after interest compounded.

6/7/75

Tension grows over Heron restructuring

By Maggie Urry

ADVISERS TO some creditors of Heron, the property and trading group negotiating a £1.4bn debt refinancing, are complaining about Heron's decision to stop paying fees it regards as not essential to the restructuring.

Heron said it could not comment on individual fee arrangements, but that its action had been taken in the interest of creditors. Fees involved so far amount to nearly £10m.

Tension is mounting between the parties to the restructuring plan which is due to be put to the banks by the end of this month.

"It is all coming to a head now," one said, adding that in such cases it was only when negotiations became fraught that progress was made.

Without a refinancing Heron would go into receivership - an outcome the group believes would realise less for creditors.

The depths of Heron's prob-

lems are revealed in a letter sent to the advisers by UBS Phillips & Drew, Heron's merchant bank. This, says the group, "will only have cash funds available to pay fees up to January 31".

The steering committee of banks, the letter says, is considering providing new money of £1.6m to meet in part the company's cash requirements for February.

Heron's advisers and those of the banks have agreed to "defer a substantial proportion of their fees for a year" and make payment of those fees, amounting to £12m, "contingent on the restructuring being implemented".

The letter proposes that fees for the advisers to the bond holders "will be paid contingent upon, and immediately after, implementation of the restructuring proposals".

Some advisers say that if they recommend bond holders to accept the restructuring plan, the holders will say their advice is biased by the prospect of a fee.

A lifetime spent in the pursuit of excellence

Christopher Dunkley on Sidney Bernstein, a leading light in the UK entertainment business

SIDNEY Bernstein - Lord Bernstein of Leigh - who died yesterday, aged 94, was one of the most important figures in 20th century British entertainment.

More than any other individual in that industry, he proved by example after example that there is nothing incompatible about the simultaneous pursuit of profits, excellence and popularity.

Born in 1899, by the early 1920s he had inherited eight "kinemas" and music halls which he ran as variety theatres. Instinctively he pursued both popularity and quality: Albert Chevalier, Gracie Fields, Will Hay, and Marie Lloyd appeared regularly on his bills.

Before the second world war he began to concentrate on cinema, building the Granada chain. In the 1950s he created Granada Television.

Quality and popularity were always the watchwords. Granada Television produced *Coronation Street*, which has been Britain's most popular television programme for more than 25 years and a serial of notable quality; and also such masterpieces of television drama as *Brideshead Revisited* and *Jewel in the Crown*.

Today Granada is a multi-million pound group with interests in TV and video rental, cable, satellite, bingo clubs, discotheques, casinos, motorway services, property, insurance, computers and publishing.

Like the Winogradsks (or Grades, as we now know the family name), the Bernsteins emerged from the 19th century pograms of eastern Europe. Sidney's father, Alexander, fled first to Sweden as a young man, then to Britain, where he married Jane Lazarus and settled in Leeds.

He was a successful and lucky businessman whose early interests - in a Welsh quarry and in London property - led him into show business, when he built the Edmondson Empire as a means of popularising a shopping site. Sidney was the fourth of nine Bernstein children.

Always strong-willed, he insisted on leaving school at 15, wanting to go straight into his father's business. Alexander demanded that his son

become an engineering apprentice, but within four years Sidney was in the family company (arguing passionately with his father), and when Alexander Bernstein died in 1922 Sidney inherited the theatre. He was then 23.

Though he spent his early career in live entertainment, Sidney Bernstein had other passions, notably film, travelling - which he did on foot, all over Europe, with a rucksack on his back - and liberal politics. Having joined the Labour Party, he served as an independent Labour county councillor for Wiltshire between 1926 and 1930.

All these interests can be discerned in his cinema policies during the 1930s. He was one of the leaders of the move to turn mere cinemas into "picture palaces": vast extravaganzas of Moorish and renaissance architecture, where working class families could be royally entertained with films, music from Wurlitzer organs, and a novelty called "snacks".

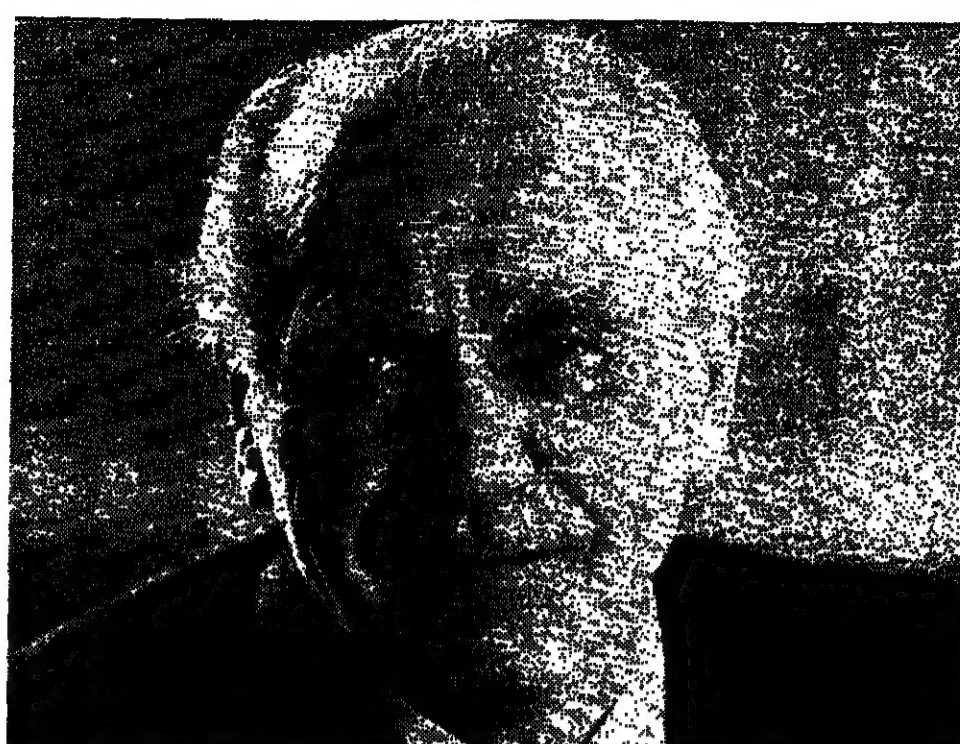
Taking on Komisarjevsky, the expatriate Russian architect and theatrical impresario, to develop the first of these elaborate people's palaces, in Dover, he then cast round to find a name for it.

In the winter of 1932, posters appeared all over the town instructing the public to "Start saying Granada". Fond memories of a walking tour in Spain, especially its architecture, caused Bernstein to light on this.

In 1930 he opened the Phoenix Theatre in London, with Noel Coward, Laurence Olivier and Gertrude Lawrence starring in *Private Lives* (quality and popularity combined, again), but cinemas continued as the centre of the family business.

They were converted for "talkies." A battle was fought over Sunday opening. In Dover, this seemed to have been won by the Lord's Day Observance Society until the Bernsteins arranged for all Dover cinemas and theatres to be lit up on a Sunday, with staff on hand to turn away the expectant public with the explanation that these were Dover council's orders. The rules about Sunday showings soon changed.

Sidney started children's matinees, and the company



Sidney Bernstein: a strong-willed man whose watchwords were quality and popularity

kept building cinemas; in 1935 a new Granada opened every three months. Eventually there were 57.

In 1936, to the surprise of his friends - Sidney Bernstein tended to keep his private life as secret as his business dealings - he married Zoe Farmer, a journalist, but the marriage did not long survive the second world war.

During that war Bernstein served as film adviser to the Ministry of Information, then as chief of film selection at Allied HQ in North Africa and at SHAPE.

In 1945 he went into Belsen. What he saw made him determined to make a film for showing to the German public, proving what had been done in his name. He persuaded Alfred Hitchcock - a fellow Londoner, by then working in the US - to cross the Atlantic and act as director. Thanks to the politicians the film was not shown. It was buried in the vaults of the Imperial War Museum and screened for the first time on British television in 1985.

But the Bernstein-Hitchcock partnership bore fruit. Sidney Bernstein went to Hollywood

and produced Hitchcock's next three films, *Rope*, *Under Capricorn*, and *I Confess*. During this time he met a Canadian girl, Sandra Malone, whom he married in 1954. They had a son and two daughters.

Back in the UK in the 1950s, with all his experience of wartime propaganda behind him, Bernstein opposed the campaign for commercial television on the grounds that the right to broadcast into millions of homes bore "such a great propaganda power that it could not be entrusted to any bodies other than a public corporation". Yet he campaigned for the right to compete with the BBC's increasingly popular television service by operating a large-screen commercial television system in his cinemas.

When the law permitting commercial television was passed, Bernstein was one of the first to apply for a licence. His was one of the first three awarded.

Today Granada is the only original franchise holder to have survived throughout the history of British commercial television. The story goes that

Sidney Bernstein, in deciding on a particular UK region for his franchise application, studied population densities and annual rainfall and reasoned that what he needed was an area full of people obliged to stay at home in the evenings - hence his choice of the Liverpool-Manchester area.

From the outset Granada Television was unlike what many had feared from "Plug TV," as the Beaverbrook newspapers called it. On the opening evening the new company offered - of all things - a tribute to the BBC.

It was soon doing more to push out the boundaries of television journalism than the BBC had done in a decade. Apart from party political broadcasts, the BBC pretty well pretended, then, that politics did not exist.

At Bernstein's urging, Granada challenged the law by putting on screen all the candidates in the Rochdale by-election of 1958. Then it started covering the TUC congress and the annual party conferences, which had hitherto received television attention except in post hoc reports.

What journalists at Granada found was that Sidney Bernstein, who had always gone to law to protect his own or his company's reputation, would stand unflinchingly beside them if he was convinced they had their facts right; he would take on the Independent Television Authority, the British Steel Corporation, or even the UK government if necessary. In Granada's first 25 years, he locked antlers with all three - and others. (He invariably won).

His staff also found that, as an immaculate dresser himself, he loathed untidiness in others (he was, so it was said, especially opposed to beards, suede shoes and earrings). He also acquired a reputation for meanness - yet no other ITV company has generated such loyalty in its staff; many broadcasters have spent their entire careers with Granada.

In 1989 Sidney Bernstein became Baron Bernstein of Leigh. 15 years later, that honour was almost equalled when the leading American television magazine *Channels*, devoting an entire issue to a "search for excellence," declared Granada "the best television company in the world".

The magazine backed up this seemingly grandiose claim by quoting chapter and verse on Granada's television journalism (*World In Action* to *Screen Up*); drama (*Sherlock Holmes* to *King Lear*, starring Laurence Olivier); even its staff structure ("Granada executives have almost all been programme makers and generally still are").

Throughout his life Sidney Bernstein urged his colleagues not to underestimate the intelligence of the public. Although he worked always in the mass entertainment business, his own interests were refined. He took a lively interest in the avant garde. He was a founder of the Film Society, which attracted people such as HG Wells, Augustus John and Bernard Shaw, and caused much controversy in the late 1920s by showing uncensored versions of foreign films.

For one such occasion Sidney Bernstein got Nancy Cunard to bring a print of Bunuel's notorious surrealist work *Un Chien Andalou* into the UK - and past the UK customs officers - in her hatbox.

Fisons licenses heart drug rights to Porton

By Paul Taylor

FISONS, the pharmaceutical and scientific instruments group, which is focusing its efforts on a core group of drugs, has licensed the rights to develop and market its Dopacard heart drug to Porton Products.

Dopacard is used in the treatment of heart failure associated with cardiac surgery, and currently has annual sales of about £1m, mostly in the UK and Ireland. The financial details of the licensing agreement were not disclosed.

The agreement marks another step in Fisons' restructuring programme. Mr Cedric Scroggs, Fisons' chief executive, said it reflected Fisons' drive to focus its development and marketing programmes on core areas where

returns could be maximised.

Commenting on the deal Mr Alan Barcock, managing director of Porton Products, said: "Porton is continuing to develop high quality medicines for specialist indications worldwide. Dopacard is a natural extension to our product portfolio which gives us the chance to make available another valuable product with unique patient benefits to hospital-based physicians."

The group has signed a number of licensing agreements in the last few years including a deal with Enzon of the US.

Porton Products is a wholly owned subsidiary of Porton International, the London-based privately owned pharmaceuticals and healthcare company which claims £7m profits on turnover of £32m for 1991.

LIFFE EQUITY OPTIONS

Option	CALLS	PUTS	Option	CALLS	PUTS
ASX 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100
ASX 200	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 200	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100
ASX 300	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 300	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100
ASX 400	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 400	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100
ASX 500	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 500	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100
ASX 600	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 600	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100
ASX 700	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 700	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100
ASX 800	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 800	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100
ASX 900	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 900	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100
ASX 1000	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	ASX 1000	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100	500 64 72 74 76 78 80 82 84 86 88 90 92 94 96 98 100

ECONOMIC DIARY

TODAY: Labour local government conference in Bournemouth (until Sunday).

MONDAY: Credit business (December). Cyclical indicators for the UK economy (January - first estimate). European Community internal market council meets in Brussels. European Parliament in plenary session.

TUESDAY: Producer price index numbers (January). US wholesale prices (December). European Community agriculture council meets in Brussels. Informal meeting of the European Community education council in Copenhagen. Mr Leon Kravchuk, Ukrainian president, visits Britain (until February 12). National Farmers' Union conference in London (until Wednesday). Ofgas annual report.

WEDNESDAY: Index of production for Scotland (third quarter). Irish parliament resumes. CBI trends survey. Start of two-day Financial Times/Les Echos conference "Europe - The Way Forward" in Paris. Toyota Motor 1992/93 parent company results.

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. Capital issues and redemptions (January). Capital expenditure by the manufacturing industries (fourth quarter - provisional). US retail sales (January). Presidents of Venezuela, Colombia and Mexico (the Group of Three) meet in Caracas (until February 12). Sir Leon Brittan, European Community external economic affairs commissioner, visits Washington for talks on the stalled world trade negotiations. US district judge is expected to announce in Washington a trial date in a BCCI case. Mr Michio Watanabe, Japanese foreign minister, visits Washington. Interim results from BT and BOC Group: final from BP and Lorch.

FRIDAY: Usable steel production (January). Retail price index and tax and prices index (January). US price index (January). US producer price index (January). business inventories (December).

COMMODITIES

WEEK IN THE MARKETS

Coffee prices shrug off pact blues

COFFEE TRADERS were not unduly dismayed this week as the International Coffee Organisation's two-week negotiating session made negligible progress towards a new price-supporting international agreement.

They had expected nothing better. At the end of the session last week, but that fall was quickly recovered.

Since then the market, while keeping a jaundiced eye on the ICO session, has been more interested in the tightening fundamental supply/demand situation and the activities of the powerful New York investment funds. Mass movements of investment fund money have been largely responsible for the wide fluctuations in coffee prices in recent months and expectations of lower production in Brazil have recently been inclining the fund managers to the side of the bulls.

The cocoa market has no such fundamental factors to prop it up. With oversupply continuing and talk circulating that recent arrivals from the Ivory Coast, the biggest producer, have been higher than was expected the market came under further pressure this week. The May futures position in London closed yesterday at 2708 a tonne, down an apparently modest 28 on the week; but the fall would have been more than £20 a tonne had it not been for the decline in sterling against the dollar.

On the New York market May cocoa futures, which ended last week at \$941 a tonne, were quoted yesterday at \$941 a tonne in late trading.

World sugar prices continued the recent slide, the May

closed yesterday at \$922 a tonne, up \$27 on the week and \$18 higher than the level ruling before the ICO talks began.

Initial disappointment as early hopes for the negotiations evaporated had sent the price down to \$801 a tonne at one stage last week, but that fall was quickly recovered.

While they have agreed to meet again at the end of March, they will have an uphill task to meet the March 31 deadline for renewing the agreement. Brazil, the biggest producer, yesterday accused some important consumer countries of lacking the political will to reach an understanding. Its delegation issued a statement stressing its "disappointment and frustration at the lack of progress in what was to be the decisive phase in the negotiation of a new international coffee agreement."

No attempt has been made so far to tackle crucial points such as how to determine the size of export quotas or the price range to be defended; and significant divisions remain on "selectivity" between different coffee types within the quota system and "automaticity", the rolling forward of quotas from the end of one coffee year to the beginning of the next.

If the market was disturbed at the negotiators' performance it did not show it. The May robustas price at the London Futures and Options Exchange

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LIVE WAREHOUSE STOCKS (at Thursday's close)

Commodity	Units	Value
Aluminium	1,175	to 1,628,375
Copper	1,175	to 315,475
Lead	700	to 723,750
Nickel	128	to 78,208
Zinc	1,400	to 528,775
Tin	69	to 17,025

which had moved up sharply late last week on news of a production cut at Pasminco of Australia and this week was presented with further output reduction announcements by Cominco of Canada and Metallgesellschaft's Ruhr-Zinc of Germany.

Any hopes that a law of accumulating returns might apply as the output cuts mounted were quickly dashed. The Pasminco cut (25,000 tonnes this year) helped the LME's zinc price up to \$1,137 a tonne initially. Cominco's (50,000 tonnes) did only marginally better than that at \$1,140 a tonne, and the peak inspired yesterday by Ruhr-Zinc's (30,000 tonnes) was a decidedly disappointing \$1,135.

At the close three months zinc was quoted at \$1,128 a tonne, up \$10 on the week.

While the latest round of cuts has more than tripled this year's expected zinc deficit dealers point out that they still look pretty modest in comparison with the 1m tonnes in western world stocks.

Copper prices were firm, ending about \$9 a tonne higher on the week. But once again the pound's weakness made the sterling-denominated market look stronger than it was, with three months metal showing a \$40 gain to \$1,555.75 a tonne.

The underlying steadiness was a reflection of concern over strike worries in Mexico and Chile, dealers said.

Platinum group metals finished the week with their tails up as the outlook seemed to improve for world industry in general and motor manufacturers in particular. Platinum, the biggest outlet for which is the automotive catalyst market, rallied by \$2.25 yesterday to \$360.75 a troy ounce, down \$3.75 on the week, as buyers were encouraged by German and Japanese interest rate cuts and improving US economic indicators. But it was outrun by its sister metal palladium, another catalyst metal, which was fixed in London at a 30-month high of \$114.90 an ounce, up \$2.55 on the week. Palladium's extra strength was prompted by concern over supplies from the former Soviet Union, dealers said.

The London gold price, having been under pressure throughout the week, ended yesterday at the bottom of the range, pressing against support at \$328 an ounce.

Richard Mooney

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES						AVERAGE GROSS REDEMPTION YIELDS		Fri Feb 5	Thu Feb 4	Year ago (approx.)	1992/93		
											High	Low	
						Fri Feb 5	Day's change %	Thu Feb 4	Accrued interest	xd adj. 1993 to date			
British Government						1	British Government	5 years.....	6.47	6.37	8.70	10.03 15/9/92	6.35 3 12/93
						2	Coupon 15 years.....	8.06	8.06	9.15	9.72 1 1/4/92	8.06 4 12/93	
						3	10%-7 1/4 % 20 years.....	8.39	8.39	9.15	8.72 1 1/4/92	8.34 12/11/92	
						4	Medium 5 years.....	6.98	6.97	9.46	10.28 1 1/4/92	6.97 3 12/93	
						5	Coupon 15 years.....	8.56	8.54	9.25	9.82 1 1/4/92	8.47 11/11/92	
						6	10%-10 1/4 % 20 years.....	8.75	8.73	9.20	9.76 1 1/4/92	8.71 12/11/92	
						7	High 5 years.....	7.16	7.17	9.69	10.50 1 1/4/92	7.16 5 12/93	
						8	Coupon 15 years.....	8.85	8.83	9.33	9.96 1 1/4/92	8.76 11/11/92	
						9	11%- 20 years.....	8.99	8.91	9.25	9.90 5/10/92	8.87 11/11/92	
						10	Irredeemables (Flat Yield)	8.76	8.78	9.33	9.92 1 1/4/92	8.67 11/11/92	
Index-Linked						11	Irredeemables						
						12	inflation rate 5% Up to 5 yrs.....	2.17	2.17	3.87	5.56 16/9/92	2.67 28/1/93	
						13	inflation rate 5% Up to 5 yrs.....	3.68	3.69	4.28	4.76 16/9/92	3.27 30/10/92	
						14	inflation rate 10% Up to 5 yrs.....	1.37	1.36	3.24	4.23 16/9/92	1.33 28/1/93	
						15	inflation rate 10% Over 5 yrs.....	3.50	3.51	4.10	4.56 16/9/92	3.49 30/10/92	
						16	Index & Loans 5 years.....	8.73	8.73	10.89	11.51 6 14/92	8.62 11/11/92	
						17	Loans 15 years.....	9.64	9.64	10.66	11.22 6 14/92	9.63 2 12/93	
							25 years.....	9.84	9.84	10.50	11.02 6 14/92	9.83 2 12/93	
9 Index & Loans (62)						125.90	+0.04	125.85	3.06	0.26			

Ciments Français confirms full-year loss of FF1bn

By Alice Rawsthorn in Paris

CIMENT Français, the ailing French cement group that has been clouded by controversy since the discovery last autumn of FF1.05bn (\$192m) off-balance sheet dealings, yesterday confirmed that it made a net loss of FF1bn last year.

The group, which made net profits of FF1.45bn in 1991 and disclosed a deficit of FF740m for the first half of last year, will publish its full 1992 results on March 19.

However, it verified yesterday, following a French press report, that it made a net loss of about FF1.2bn in the second half, bringing the total loss for the year to FF1.1bn.

Ciments Français would not

comment on the likely level of provisions for the second half. The off-balance sheet dealings produced exceptional losses of FF655m during the first half, when it was affected by the sluggish state of the European construction industry.

The French cement group, which fired its chairman, Mr Pierre Conso, when the off-balance sheet dealings came to light, is still waiting for the completion of an investigation by the Spanish stock market authorities into its investment in Cementos Molinos, the Spanish cement company.

The Ciments Français scandal has implications for Paribas, the prominent French investment bank which still holds a significant stake in the company and was, until last spring, its controlling share-

holder. Paribas has been forced to repay FF500m of the FF1.1bn it received last year for a controlling holding in Ciments Français from the Italian cement group.

This reduced its profit on the sale to FF500m excluding its share of Ciments Français's 1992 losses.

In the first half, Paribas's share of the cement company's losses amounted to FF740m. Its share of losses in the second half is expected to be about FF1.05bn, making the full-year losses roughly equal to its potential profit on the renegotiated deal.

Mr André Levy-Lang, Paribas's chairman, last week announced that the group had made a net profit of about FF900m in 1992.

US trade commission close to Microsoft ruling

By Louise Kehoe in San Francisco

THE US Federal Trade Commission met yesterday to decide what action, if any, it should take against Microsoft, the world's largest computer software company, following a two-and-a-half year anti-trust investigation.

The subject of the commission's deliberations, and the extensive FTC investigation, have never been officially confirmed. However, according to numerous computer industry executives who have provided testimony to FTC investigators, the government agency has focused upon business practices that have helped Microsoft to become a dominant force in the market for personal computer software.

Investigators from the FTC's Bureau of Competition are reported to have recommended that the commission seek court injunctions against Microsoft to halt allegedly unfair practices.

According to Microsoft competitors, these practices include the way the company sells and prices its PC operating system, MS-DOS, which controls the basic functions of a PC. Microsoft offers discounts to PC manufacturers who agree to pay Microsoft a royalty fee for every PC they sell, whether or not the buyer chooses to use the program.

Since MS-DOS is the standard PC operating system it is used by the vast majority of PC buyers. However, companies that offer alternative programs argue that they do not have an opportunity to compete.

Another issue said to have been investigated by the FTC involves the alleged tying of sales of applications programs to those of operating systems in which Microsoft holds a virtual monopoly.

Microsoft competitors have expressed concerns to FTC investigators about the company's alleged practice of favouring its own applications programs developers by giving

them early access to new versions of operating system software, thus putting competitors at a disadvantage.

Microsoft has denied any wrongdoing and says that it is co-operating with the FTC investigation.

While the FTC could in theory file anti-trust charges against Microsoft demanding that the company be broken apart, this is not expected. There is also a possibility that the FTC could decide that no action should be taken against the company.

However, industry analysts say a middle course is more likely. The FTC might, for example, seek a court order prohibiting Microsoft's operating system and applications divisions from sharing information. Or the company might be ordered to halt its operating system licensing practices.

Any such action would not have a significant impact upon Microsoft's sales, industry analysts said.

To limit the effects of the



Bill Gates: favours bringing the matter to a quick closure

FTC's decision, Microsoft could decide to circumvent a potentially lengthy trial by entering a consent decree, agreeing to the FTC's demands.

Mr Bill Gates, Microsoft chairman and chief executive, is said to favour bringing the matter to a close as quickly as possible.

Microsoft lawyers have been in regular communication with the FTC and were poised yesterday to respond to the commission's decision.

Also eagerly awaiting the outcome of the commission's deliberations were Microsoft's numerous competitors in the PC software market.

Petrofina falls 72% to BFr4.6bn

By David Gardner in Brussels

CONSOLIDATED profits at Petrofina, one of Belgium's largest industrial groups, fell by 72 per cent last year, to BFr4.6bn (\$135.3m) from BFr16.3bn in 1991.

Petrofina halved its dividend - the first pay-out reduction since 1989 - to a net BFr210 per share. Though the group warned of the cut in mid-December, Petrofina shares fell 2.1 per cent to BFr7,370 yesterday, accounting for about a tenth of high turnover on the Brussels bourse.

The results reflected low crude prices, sharp pressure on basic refining profit margins, falling margins in petrochemicals because of overcapacity in the industry, and losses at Fina, the group's US subsid-

ary. Industry analysts said the drop in refining margins - of between \$1 and \$2 a barrel - could account for two-thirds of the fall in income.

Petrofina stressed that consolidated profit before extraordinary items, mainly new US accounting standards to cover post-retirement health care benefits, was estimated at BFr7.9bn, against BFr15.8bn in 1991.

One brokerage firm read this as an emphasis on anxiety to demonstrate that even the halved dividend payment, worth about BFr6.5bn, was covered by current earnings.

The group's investment budget this year has been set at BFr3.8bn, down from BFr4.2bn last year.

The investment will be centred on modernising its

Antwerp refining facilities.

Net debt to equity in its 1991 balance sheet was 66 per cent, up from 34 per cent in 1989, one market analyst underlined. In spite of some disposals and pulling back from projects, this ratio was expected to have crept up; full 1992 results are not due until May.

Fina, the US arm, turned in a loss for the full year of \$10.2m, against net earnings of \$42m in 1991 and \$15m in 1990.

A decision is still awaited on three-year long negotiations with Arabian Petroleum, the private Saudi Arabian company, on a joint venture involving Fina selling APC its downstream assets for about \$500m. The Saudi government is believed still not to have made up its mind whether to bless the deal.

Renault disappoints in final term

By Alice Rawsthorn

RENAULT, the state-controlled French car company yesterday added to the gloomy mood of the European motor industry, when it announced that it just managed to break even in the final quarter of 1992 having made a healthy profit in the first three quarters of the year.

The Renault announcement, which came only a few days after the collapse of Dai, the Dutch commercial vehicle manufacturer, reflects the cost of rationalising the French group's operations and the problems of Volvo, its Swedish partner.

Renault doubled pre-tax profits to FF7.43bn (\$1.38bn) in the

first nine months of 1992, from FF2.93bn in the corresponding period of the previous year.

The group also achieved a healthy increase in sales to FF135.3bn from FF122.2bn over the same period.

Last year was Renault's most successful year in terms of volume sales since 1983. The group sold 2m cars and 1.8m light commercial vehicles, thanks to strong growth in France and gains in market share within the declining European market.

Mr Louis Schweitzer, Renault's chairman, had previously warned that its performance had deteriorated in the final quarter of the year.

This was partly due to the problems at the Volvo group.

Renault's share of the Swedish company's losses in the first three quarters of last year amounted to FF60m.

However, Renault was also hit by the cost of its ongoing rationalisation which has reduced its workforce by a quarter in the past five years. The group plans to cut the workforce by another 2,500 people in 1993.

Moreover, it suffered from the impact of the September currency crisis which strengthened the French franc against other European currencies thereby reducing Renault's reported profits and making it more difficult for the French company to remain cost-competitive in its export markets.

Campbell finds the boardroom locked

The US group has 58% of Arnotts but no control of its board. Kevin Brown reports.

Four months after launching a bitterly contested takeover offer, Campbell Soup, the US food group, finds itself the owner of 58 per cent of Arnotts, the Australian biscuit company. One question remains: what happens now?

Campbell's \$28.50 a share bid was intended to deliver control of Arnotts by increasing its shareholding from 32.9 per cent to at least 50.1 per cent. In the event, the US group comfortably exceeded the target, after increasing the offer to \$28.50 and extending it for a week. Campbell increased its holding by just over four percentage points on the final day as a number of financial institutions and small shareholders responded to the AMP Society's decision to accept the offer.

AMP, Australia's largest financial institution, sold a 6.3 per cent stake in Arnotts to Campbell on Thursday, propelling the US group past its target holding of 50.1 per cent. On a superficial level, the outcome is a triumph for Mr David Johnson, Campbell's Australian-born chief executive, who resisted institutional pressure for a higher price, reportedly gambling that financial institutions would eventually accept \$28.50.

It became clear that Mr Johnson's judgment had paid

off when the AMP Society, Australia's biggest financial institution, sold a 6.3 per cent shareholding.

However, Campbell's relationship to Arnotts underwent an unexpected transformation during the campaign after Schroders Australia, the biscuit group's adviser, spotted a surprise legal defence.

The defence related to an agreement drawn up between

'Campbell intends to see that Arnotts invests considerably more than in the past, creating opportunities for Australia'

Arnotts and Campbell in 1985, when the US group took a friendly shareholding as part of Arnotts' defence against an unwelcome bid from Bond Corporation Holdings.

The New South Wales courts initially ruled that the agreement was meaningless. However, the appeal court subsequently judged that it prevented Campbell from using its shareholding to elect directors, unless it acquires at least 65.1 per cent of the shares.

The effect was to prevent Campbell taking control of

Arnotts' board, even though it owns more than half of the company. Campbell will not even be able to influence the appointment of replacements for directors who retire.

Mr Bill Purdy, chairman of Arnotts, says Campbell's shareholding gives it no moral rights on the board, and rules out a voluntary agreement to scrap the voting restrictions.

The only way Campbell can overcome the terms of the agreement, he says, is to make a second offer which would be recommended by the board - probably AS11 a share.

This is precisely the course which Campbell resisted during the takeover battle, but it is one which analysts say may be forced on the group if it is serious about winning control.

Alternatively, Campbell could seek permission from the federal government and the Australian Securities Commission to utilise the creeping takeover provisions of the corporations law, which would allow it to acquire 3 per cent of the stock every six months at the market price.

However, even if regulatory permission was granted, Campbell would find it difficult to acquire the 65.1 per cent target shareholding because more than 20 per cent of the stock is in the hands of family shareholders, many of whom have said they will not sell under

any circumstances.

As a result, Campbell has spent about \$330m (US\$223m) to acquire a majority shareholding in a company it cannot control. Analysts say its lack of influence may even prevent the consolidation of Arnotts' earnings under US accounting law.

Mr Johnson, putting a brave face on the outcome, says Campbell is now the dominant

'Arnotts remains prepared to co-operate with Campbell, especially in the increasingly sophisticated Asian market'

shareholder in Arnotts. He says Campbell 'intends to see that Arnotts invests considerably more than in the past, creating opportunities for Australia, and positioning Arnotts to compete in Asia against larger and more established companies'.

Mr Purdy says Arnotts remains prepared to co-operate with Campbell, especially in the increasingly sophisticated Asian market. However, it is not clear whether the two companies will be able to agree on how to go about it.

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year 1992/93	High 1992/93	Low 1992/93
Gold per troy oz.	\$328	-2.35	\$356.4	\$358.40	\$327.95
Silver per troy oz.	\$25.0p	+7.25	\$21.13p	\$25.00p	\$17.58p
Aluminium 60.7% (cash)	\$1206.75	+4.25	\$1249.5	\$1238.0	\$1105.5
Copper Grade A (cash)	\$1534.5	+37	\$1501.0	\$1561.0	\$1125.0
Lead (cash)	\$288	+3.5	\$279	\$283.5	\$277.50
Nickel (cash)	\$589.5	+0.5	\$589.5	\$591.5	\$581.5
Zinc 54% (cash)	\$1109	+10	\$1141	\$1147.5	\$1019.0
Tin (cash)	\$5712.5	-27.5	\$5570	\$7115.0	\$5425.0
Cocoa Futures (May)	\$708	-8	\$708	\$715	\$523
Coffee Futures (Mar)	\$831	+3.3	\$472	\$1039	\$678
Sugar (LDP Mar)	\$205.0	-4.0	\$199.5	\$272.5	\$193
Barley Futures (May)	\$139.1	+3.1	\$130.40	\$136.10	\$108.90
Wheat Futures (May)	\$144.80	+3.75	\$126.50	\$144.80	\$109.55
Cotton Outlook A Index	\$80.25c	+2.00	\$71.00c	\$55.80c	\$22.55c
Oil (Brent Blend)	\$40.5p	+1.5	\$42.1p	\$49.0p	\$34.6p
WTI (Brent Blend)	\$18.53c	+0.005	\$18.125	\$21.30p	\$17.00

For terms unless otherwise stated. Unquoted p=per cent, c=cents, b=100.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB) (Mar)

Dubai \$16.06-6.10

Brent Blend (dated) \$16.02-0.04 -0.75

WTI (11 pm est) \$20.24-0.27 -0.05

Oil products

(NVE prompt delivery per tonne CIF)

Premium Gasoline \$192-195

Gas Oil \$174-175 +1

Heavy Fuel Oil \$70-72

Naphtha \$178-180 -0.5

Petroleum Argus Estimates

Other

Gold (per troy oz) \$328.0 -0.18

Silver (per troy oz) \$25.0 -0.37

Platinum (per troy oz) \$240.75 +2.25

Palladium (per troy oz) \$114.90 +2.75

Copper (US Producer) 104.2c +0.5

Lead (US Producer) 33.5c

Tin (Kuala Lumpur market) 1500c +0.15

Tin (New York) 268.0c

Zinc (US Prime Western) 62.0c

Cocoa (live weight) 121.74p +2.31

Sheep (live weight) 90.46p +0.91

Calves (live weight) 90.46p +0.91

London daily sugar (raw) \$205.0 +2.5

London daily sugar (white) \$261.5 +2.5

Tale and Lytle export price \$253.5 +1.5

SUGAR - London POX

(£ per tonne)

New Close Previous High/Low

Mar 184.00 185.00

White Close Previous High/Low

Mar 222.00 223.00 223.00 251.40

Apr 224.00 225.00 225.00 253.00

Aug 241.00 242.00 242.00 240.70

Dec 241.00 241.00

Turnover: 1992 (525) lots of 50 tonnes.

White 2005 (950) Parts: White (FF per tonne):

Mar 1445.00 May 1480.23

CRUDE OIL - IPE

(\$ per barrel)

Latest Close Previous High/Low

Mar 18.57 18.56 18.50 18.40

Apr 18.55 18.53 18.57 18.38

May 18.50 18.58 18.50 18.44

Jun 18.52 18.63 18.62 18.46

Jul 18.53 18.60 18.63 18.48

Aug 18.50 18.56 18.50 18.35

Sep 18.58 18.70 18.63 18.56

Oct 18.58 18.73 18.68 18.59

Nov 18.50 18.66 18.60

Dec 18.51 18.28

Turnover 17725 (50371)

GAS OIL - IPE

(£ per tonne)

Latest Close Previous High/Low

Mar 179.75 179.50 179.50 188.00

Apr 179.25 179.25 179.25 170.50

May 179.00 179.00 179.00 170.50

Jun 179.25 179.75 179.75 170.25

Jul 179.00 179.75 179.75 170.25

Aug 179.25 179.75 179.75 170.25

Sep 179.75 179.75 179.75 170.25

Oct 179.75 179.75 179.75 170.25

Nov 179.75 179.75 179.75 170.25

Dec 179.75 179.75 179.75 170.25

Turnover 20181 (19258) lots of 100 tonnes

FRUIT & VEGETABLES

Bramley apples are this week's best fruit

buy at 25-30p a lb (50-50p), along with other

apple varieties such as English Russet and

British Columbia Red Delicious, both at

45-50p a lb (45-50p), reports FFVIB. Navel

oranges at 10-15p each (10-15p) and whole

fresh grapes at 12-25p each (12-25p)

round off this week's best fruit buys. Savoy

Cauliflowers at 25-30p a lb (25-30p), broccolis

at 45-50p per lb (45-50p) and peas at 15-20p

are all excellent vegetable choices. Round lettuce at

25-30p each (25-30p) and Spanish celeriac at

50-55p a head (50-55p) are good buys.

WORLD COMMODITIES PRICES

Cocoa - London POX

(£ per tonne)

Latest Close Previous High/Low

Mar 887 888 700 884

May 704 704 710 884

Jul 722 718 728 708

Sep 737 735 738 725

Dec 757 755 757 743

Mar 774 774 774 764

May 774 770 770 760

Jul 826

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

A morning after feeling

THE DOLLAR failed to break above Thursday's peak of DM1.670 against the D-Mark yesterday, after the January non-farm payroll figure in the US came through as the market had expected, writes James Blyth.

The payroll figure rose by 106,000 on the month, slightly less than the market estimate of 109,000. The dollar, which opened at about DM1.650 in New York, initially climbed 1/4 pence on the news, peaked at DM1.665, but later fell back to close in London at DM1.645, virtually unchanged on the day.

Mr Neil MacKinnon, an economist at Citibank in London, said that the payroll figure had not diverted him from his belief that the dollar will touch DM1.75 or DM1.80 this year.

However, he warned that the dollar had gained only 1 pence in the 24 hours between the Bundesbank cutting rates and the payroll figure being

issued in the US - and that this should strike a note of caution for dollar bulls.

The uncertain note struck by the US data was not dissimilar to the one created by the Bundesbank on Thursday, when it eased monetary policy.

The satisfaction that followed the 25 basis point cut in the discount rate has eased the strains in European exchange mechanisms.

But there were several indications yesterday that the Bundesbank had, at best, beaten off the speculators for only a few weeks.

The Danish krone hovered around its ERM parity of DKR3.14 to the D-Mark, a remarkable jump from Thursday morning when it was trading at the floor.

However, 3-month kroner continued to be quoted at the remarkably high level of 14 1/2 per cent.

If the Danish authorities fail to cut rates soon, they may be

putting in jeopardy a Yen vote in the second Danish referendum on the Maastricht treaty on May 18, the prospect of which would undermine the ERM yet again.

The French authorities eased money market tensions by announcing a cut in the overnight rate by 1/2 per cent. This, in turn, brought down 1 month French francs to 11 1/2 per cent from 15 per cent it touched earlier in the week.

But the cost of the D-Mark/French parity is not getting cheaper. Last August, 3-month French francs and 3-month D-Marks were both at around 8 1/2 per cent.

In the last 5 months, the D-Mark has come down 140 basis points, while the francs have gone up 175 basis points.

Anyone who believes the ERM tensions are over must explain why and when that divergence will stop being a problem for the French.

£ IN NEW YORK

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Forward premiums and discounts apply to the US dollar

STERLING INDEX

Feb 5	Low	High	Prev
100.00	100.00	100.00	100.00
100.01	100.01	100.01	100.01
100.02	100.02	100.02	100.02
100.03	100.03	100.03	100.03

CURRENCY RATES

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

CURRENCY MOVEMENTS

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

OTHER CURRENCIES

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

FORWARD RATES

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

MONEY MARKETS

Hope never dies

DESPITE repeated claims by UK officials that there would be no base rate cuts in the near-term, dealers in the sterling market ended the week looking for 5 per cent rates sooner rather than later, writes James Blyth.

The last five days have brought the most volatile trading in the sterling cash and futures markets since the run-up to sterling's devaluation on September 18 last year.

UK clearing bank base lending rate 5 per cent from January 23, 1993

As speculation intensified on Monday that Mr John Major would ease monetary policy willy-nilly, the March short sterling contract rocketed to 94.50, a level that would be consistent with 5 per cent rates at budget time. The rate for 1-year cash was also bid as low as 5 1/2 per cent.

Since then, the UK authorities have carried out a damage limitation operation. On Thursday, Mr Norman Lamont, the chancellor of the exchequer, said there was little immediate prospect that he would follow the Bundesbank's lead and cut UK rates again.

The government's comments have managed to restrain the earlier enthusiasm of the market. Yesterday, the March contract closed at 94.26, a level

that prices 3-month money at 5 1/2 per cent next month.

If that price is taken at face value, the market would appear to be only fishing for a 50 basis cut in the next few weeks.

But, according to one dealer, the market will be bought again before too long, and futures will go up. "There is every chance of dealers building up another bout of enthusiasm in the next two weeks," he said.

One discount house dealer argued yesterday that the Bundesbank's decision to cut its discount rate by 0.25 per cent on Thursday made a UK base rate cut at budget time even more likely.

If the Bundesbank's cuts were a precursor to more easing in the next two months, then the UK could ease policy without this adversely affecting the value of the pound.

However, if the Bundesbank cuts rates too slowly, tensions in the exchange rate mechanism could explode, allowing France and other ERM countries to cut rates freely. This would ease pressure on the pound.

Enthusiasm for a cut would be checked altogether if foreign exchange dealers were to ignore the chancellor's words of caution, triggering another run on the pound.

FINANCIAL FUTURES AND OPTIONS

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

MONEY MARKET FUNDS

Money Market Trust Funds

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Money Market Bank Accounts

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

Feb 5	Low	High	Prev
1.640-1.645	1.640	1.645	1.645
1.645-1.650	1.645	1.650	1.650
1.650-1.655	1.650	1.655	1.655
1.655-1.660	1.655	1.660	1.660

1.0000-1.0005	1.0000	1.0005	1.0005
1.0005-1.0010	1.0005	1.0010	1.0010
1.0010-1.0015	1.0010	1.0015	1.0015
1.0015-1.0020	1.0015	1.0020	1.0020
1.0020-1.0025	1.0020	1.0025	1.0025
1.0025-1.0030	1.0025	1.0030	1.0030
1.0030-1.0035	1.0030	1.0035	1.0035
1.0035-1.0040	1.0035	1.0040	1.0040
1.0040-1.0045	1.0040	1.0045	1.0045
1.0045-1.0050	1.0045	1.0050	1.0050
1.0050-1.0055	1.0050	1.0055	1.0055
1.0055-1.0060	1.0055	1.0060	1.0060
1.0060-1.0065	1.0060	1.0065	1.0065
1.0065-1.0070	1.0065	1.0070	1.0070
1.0070-1.0075	1.0070	1.0075	1.0075
1.0075-1.0080	1.0075	1.0080	1.0080
1.0080-1.0085	1.0080	1.0085	1.0085
1.0085-1.0090	1.0085	1.0090	1.0090
1.0090-1.0095	1.0090	1.0095	1.0095
1.0095-1.0100	1.0095	1.0100	1.0100
1.0100-1.0105	1.0100	1.0105	1.0105
1.0105-1.0110	1.0105	1.0110	1.0110
1.0110-1.0115	1.0110	1.0115	1.0115
1.0115-1.0120	1.0115	1.0120	1.0120
1.0120-1.0125	1.0120	1.0125	1.0125
1.0125-1.0130	1.0125	1.0130	1.0130
1.0130-1.0135	1.0130	1.0135	1.0135
1.0135-1.0140	1.0135	1.0140	1.0140
1.0140-1.0145	1.0140	1.0145	1.0145
1.0145-1.0150	1.0145	1.0150	1.0150
1.0150-1.0155	1.0150	1.0155	1.0155
1.0155-1.0160	1.0155	1.0160	1.0160
1.0160-1.0165	1.0160	1.0165	1.0165
1.0165-1.0170	1.0165	1.0170	1.0170
1.0170-1.0175	1.0170	1.0175	1.0175
1.0175-1.0180	1.0175	1.0180	1.0180
1.0180-1.0185	1.0180	1.0185	1.0185
1.0185-1.0190	1.0185	1.0190	1.0190
1.0190-1.0195	1.0190	1.0195	1.0195
1.0195-1.0200	1.0195	1.0200	1.0200
1.0200-1.0205	1.0200	1.0205	1.0205
1.0205-1.0210	1.0205	1.0210	1.0210
1.0210-1.0215	1.0210	1.0215	1.0215
1.0215-1.0220	1.0215	1.0220	1.0220
1.0220-1.0225	1.0220	1.0225	1.0225
1.0225-1.0230	1.0225	1.0230	1.0230
1.0230-1.0235	1.0230	1.0235	1.0235
1.0235-1.0240	1.0235	1.0240	1.0240
1.0240-1.0245	1.0240	1.0245	1.0245
1.0245-1.0250	1.0245	1.0250	1.0250
1.0250-1.0255	1.0250	1.0255	1.0255
1.0255-1.0260	1.0255	1.0260	1.0260
1.0260-1.0265	1.0260	1.0265	1.0265
1.0265-1.0270	1.0265	1.0270	1.0270
1.0270-1.0275	1.0270	1.0275	1.0275
1.0275-1.0280	1.0275	1.0280	1.0280
1.0280-1.0285	1.0280	1.0285	1.0285
1.0285-1.0290	1.0285	1.0290	1.0290
1.0290-1.0295	1.0290	1.0295	1.0295
1.0295-1.0300	1.0295	1.0300	1.0300
1.0300-1.0305	1.0300	1.0305	1.0305
1.0305-1.0310	1.0305	1.0310	1.0310
1.0310-1.0315	1.0310	1.0315	1.0315
1.0315-1.0320	1.0315	1.0320	1.0320
1.0320-1.0325	1.0320	1.0325	1.0325
1.0325-1.0330	1.0325	1.0330	1.0330
1.0330-1.0335	1.0330	1.0335	1.0335
1.0335-1.0340	1.0335	1.0340	1.0340
1.0340-1.0345	1.0340	1.0345	1.0345
1.0345-1.0350	1.0345	1.0350	1.0350
1.0350-1.0355	1.0350	1.0355	1.0355
1.0355-1.0360	1.0355	1.0360	1.0360
1.0360-1.0365	1.0360	1.0365	1.0365
1.0365-1.0370	1.0365	1.0370	1.0370
1.0370-1.0375	1.0370	1.0375	1.0375
1.0375-1.0380	1.0375	1.0380	1.0380
1.0380-1.0385	1.0380	1.0385	1.0385
1.0385-1.0390	1.0385	1.0390	1.0390
1.0390-1.0395	1.0390	1.0395	1.0395
1.0395-1.0400	1.0395	1.0400	1.0400
1.0400-1.0405	1.0400	1.0405	1.0405
1.0405-1.0410	1.0405	1.0410	1.0410
1.0410-1.0415	1.0410	1.0415	1.0415
1.0415-1.0420	1.0415	1.0420	1.0420
1.0420-1.0425	1.0420	1.0425	1.0425
1.0425-1.0430	1.0425	1.0430	1.0430
1.0430-1.0435	1.0430	1.0435	1.0435
1.0435-1.0440	1.0435	1.0440	1.0440
1.0440-1.0445	1.0440	1.0445	1.0445
1.0445-1.0450	1.0445	1.0450	1.0450
1.0450-1.0455	1.0450	1.0455	1.0455
1.0455-1.0460	1.0455	1.0460	1.0460
1.0460-1.0465	1.0460	1.0465	1.0465
1.0465-1.0470	1.0465	1.0470	1.0470
1.0470-1.0475	1.0470	1.0475	1.0475
1.0475-1.0480	1.0475	1.0480	1.0480
1.0480-1.0485	1.0480	1.0485	1.0485
1.0485-1.0490	1.0485	1.0490	1.0490
1.0490-1.0495	1.0490	1.0495	1.0495
1.0495-1.0500	1.0495	1.0500	1.0500
1.0500-1.0505	1.0500	1.0505	1.0505
1.0505-1.0510	1.0505	1.0510	1.0510
1.0510-1.0515	1.0510	1.0515	1.0515
1.0515-1.0520	1.0515	1.0520	1.0520
1.0520-1.0525	1.0520	1.0525	1.0525
1.0525-1.0530	1.0525	1.0530	1.0530
1.0530-1.0535	1.0530	1.0535	1.0535
1.0535-1.0540	1.0535	1.0540	1.0540
1.0540-1.0545	1.0540	1.0545	1.0545
1.0545-1.0550	1.0545	1.0550	1.0550
1.0550-1.0555	1.0550	1.0555	1.0555
1.0555-1.0560	1.0555	1.0560	1.0560
1.0560-1.0565	1.0560	1.0565	1.0565
1.0565-1.0570	1.0565	1.0570	1.0570
1.0570-1.0575	1.0570	1.0575	1.0575
1.0575-1.0580	1.0575	1.0580	1.0580
1.0580-1.0585	1.0580	1.0585	1.0585
1.0585-1.0590	1.0585	1.0590	1.0590
1.0590-1.0595	1.0590	1.0595	1.0595
1.0595-1.0600	1.0595	1.0600	1.0600
1.0600-1.0605	1.0600	1.0605	1.0605
1.0605-1.0610	1.0605	1.0610	1.0610
1.0610-1.0615	1.0610	1.0615	1.0615
1.0615-1.0620	1.0615	1.0620	1.0620
1.0620-1.0625	1.0620	1.0625	1.0625
1.0625-1.0630	1.0625	1.0630	1.0630
1.0630-1.0635	1.0630	1.0635	1.0635
1.0635-1.0640	1.0635	1.0640	1.0640
1.0640-1.0645	1.0640	1.0645	1.0645
1.0645-1.0650	1.0645	1.0650	1.0650
1.0650-1.0655	1.0650	1.0655	1.0655
1.0655-1.0660	1.0655	1.0660	1.0660
1.0660-1.0665	1.0660	1.0665	1.0665
1.0665-1.0670	1.0665	1.0670	1.0670
1.0670-1.0675	1.0670	1.0675	1.0675
1.0675-1.0680	1.0675	1.0680	1.0680
1.0680-1.0685	1.0680	1.0685	1.0685
1.0685-1.0690	1.0685	1.0690	1.0690
1.0690-1.0695	1.0690	1.0695	1.0695
1.0695-1.0700	1.0695	1.0700	1.0700
1.0700-1.0705	1.0700	1.0705	1.0705
1.0705-1.0710	1.0705	1.0710	1.0710
1.0710-1.0715	1.0710	1.0715	1.0715
1.0715-1.0720	1.0715	1.0720	1.0720
1.0720-1.0725	1.0720	1.0725	1.0725
1.0725-1.0730	1.0725	1.0730	1.0730
1.0730-1.0735	1.0730	1.0735	1.0735
1.0735-1.0740	1.0735	1.0740	1.0740
1.0740-1.0745	1.0740	1.0745	1.0745
1.0745-1.0750	1.0745	1.0750	1.0750
1.0750-1.0755	1.0750	1.0755	1.0755
1.0755-1.0760	1.0755	1.0760	1.0760
1.0760-1.0765	1.0760	1.0765	1.0765
1.0765-1.0770	1.0765	1.0770	1.0770
1.0770-1.0775	1.0770	1.0775	1.0775
1.0775-1.0780	1.0775	1.0780	1.0780
1.0780-1.0785	1.0780	1.0785	1.0785
1.0785-1.0790	1.0785	1.0790	1.0790
1.0790-1.0795	1.0790	1.0795	1.0795
1.0795-1.0800	1.0795	1.0800	1.0800
1.0800-1.0805	1.0800	1.0805	1.0805
1.0805-1.0810	1.0805	1.0810	1.0810
1.0810-1.0815	1.0810	1.0815	1.0815
1.0815-1.0820	1.0815	1.0820	1.0820
1.0820-1.0825	1.0820	1.0825	1.0825
1.0825-1.0830	1.0825	1.0830	1.0830
1.0830-1.0835	1.0830	1.0835	1.0835
1.0835-1.0840	1.0835	1.0840	1.0840
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1.0845-1.0850	1.0845	1.0850	1.0850
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1.0855-1.0860	1.0855	1.0860	1.0860
1.0860-1.0865	1.0860	1.0865	1.0865
1.0865-1.0870	1.0865	1.0870	1.0870
1.0870-1.0875	1.0870	1.0875	1.0875
1.0875-1.0880	1.0875	1.0880	1.0880
1.0880-1.0885	1.0880	1.0885	1.0885
1.0885-1.0890	1.0885	1.0890	1.0890
1.0890-1.0895	1.0890	1.0895	1.0895
1.0895-1.0900	1.0895	1.0900	1.0900
1.0900-1.0905	1.0900	1.0905	1.0905
1.0905-1.0910	1.0905	1.0910	1.0910
1.0910-1.0915	1.0910	1.0915	1.0915
1.0915-1.0920	1.0915	1.0920	1.0920
1.0920-1.0925	1.0920	1.0925	1.0925
1.0925-1.0930	1.0925	1.0930	1.0930
1.0930-1.0935	1.0930	1.0935	1.0935
1.0935-1.0940	1.0935	1.0940	1.0940
1.0940-1.0945	1.0940	1.0945	1.0945
1.0945-1.0950	1.0945	1.0950	1.0950
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1.0955-1.0960	1.0955	1.0960	1.0960
1.0960-1.0965	1.0960	1.0965	1.0965
1.0965-1.0970	1.0965	1.0970	1.0970
1.0970-1.0975	1.0970	1.0975	1.0975
1.0975-1.0980	1.0975	1.0980	1.0980
1.0980-1.0985	1.0980	1.0985	1.0985
1.0985-1.0990	1.0985	1.0990	1.0990
1.0990-1.0995	1.0990	1.0995	1.0995
1.0995-1.1000	1.0995	1.1000	1.1000
1.1000-1.1005	1.1000	1.1005	1.1005
1.1005-1.1010	1.1005	1.1010	1.1010
1.1010-1.1015	1.1010	1.1015	1.1015
1.1015-1.1020	1.1015	1.1020	1.1020
1.1020-1.1025	1.1020	1.1025	1.1025
1.1025-1.1030	1.1025	1.1030	1.1030
1.1030-1.1035	1.1030	1.1035	1.1035
1.1035-1.1040	1.1035	1.1040	1.1040
1.1040-1.1045	1.1040	1.1045	1.1045
1.1045-1.1050	1.1045	1.1050	1.1050
1.1050-1.1055	1.1050	1.1055	1.1055
1.1055-1.1060	1.1055	1.1060	1.1060
1.1060-1.1065	1.1060	1.1065	1.1065
1.1065-1.1070	1.1065	1.1070	1.1070
1.1070-1.1075	1.1070	1.1075	1.1075
1.1075-1.1080	1.1075	1.1080	1.1080
1.1080-1.1085	1.1080	1.1085	1.1085
1.1085-1.1090	1.1085	1.1090	1.1090
1.1090-1.1095	1.1090	1.1095	1.1095
1.1095-1.1100	1.1095	1.1100	1.1100
1.1100-1.1105	1.1100	1.1105	1.1105
1.1105-1.1110	1.1105	1.1110	1.1110
1.1110-1.1115	1.1110	1.1115	1.1115
1.1115-1.1120	1.1115	1.1120	1.1120
1.1120-1.1125	1.1120	1.1125	1.1125
1.1			

LONDON STOCK EXCHANGE

Shares survive bout of profit-taking

By Terry Byland,
UK Stock Market Editor

AN EXCITING, and largely successful week for the UK equity market ended yesterday with share prices rallying strongly at the close of an erratic session, helped by renewed strength on Wall Street. Thursday's cut in rates by the Bundesbank was identified as positive for the UK stock market although most strategists agreed that any further reduction in domestic rates will probably be withheld until Budget day, early in March.

Initial trading saw some good buying from the institutions but it was soon clear that their attention was focused on the utilities, conventionally

Account Dealing Dates			
First Dealing	Feb 1	Feb 15	
Options Dealings	Feb 11	Feb 25	
Last Dealing	Feb 25	Feb 28	
Accounting	Feb 22	Mar 5	

These three dealings may take place from 9.00am to 10.00am on the day.

as defensive stocks. A gain of 17.7 to 2,883.5 on the Footsie was steadily eroded and had been replaced early in the afternoon by a loss of 12.3. The Footsie has advanced nearly 2 per cent this week, edging above Footsie 2,900 briefly on Thursday afternoon. Support for the second-line stocks yesterday was disclosed in the gain of 7.7 in the FT-SE Mid 250 Index to 3,050.5.

Later in the session, the UK

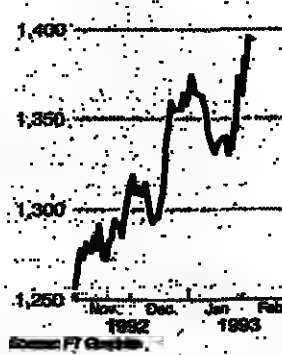
stock market lay low until Wall Street responded with an early gain of 20 Dow points to improved US jobless totals for January.

London reacted vigorously as the mood improved and, by the close of trading, the FT-SE Index was only 3.0 down at 2,883.5. Seaquid volume of 691.8m shares, of which around 61 per cent were non-Footsie stocks, compared with 949.5m on Thursday.

Retail volume of 22.14bn on Thursday was the highest daily total since September 19 last year when the market was celebrating sterling's departure from the ERM.

High volume in the past two sessions has indicated the weight of trading activity in London as international insti-

FT-A All-Share Index



Source: FT Computations

tutions first anticipated and then responded to the Bundesbank's interest rate cut.

Profit-takers moved heavily against bank shares yesterday,

with some analysts fearing that the impending season of profits statements may bring a spate of rights issues. Properties, which, according to S.G. Warburg Securities, the UK investment bank and securities house, have outperformed the rest of the stock market by 22 per cent over the past two weeks, gave back a tiny proportion of their gains yesterday. Engineering and aerospace shares were also targets for profit-taking.

Longer-term worries about inflation prospects surfaced in the gilt-edged market where long-dated conventional issues closed a shade off on the day but index-linked gilts, the prime inflation hedge instruments, extended early gains to finish around 1/4 higher.

TRADING VOLUME IN MAJOR STOCKS			
Stock	Volume	Value	Price
FT-SE 100	1,300,000	£1,200,000,000	2,883.5
FT-SE 250	1,200,000	£1,100,000,000	3,050.5
FT-SE 350	1,100,000	£1,000,000,000	3,217.5
FT-SE 450	1,000,000	£900,000,000	3,384.5
FT-SE 550	900,000	£800,000,000	3,551.5
FT-SE 650	800,000	£700,000,000	3,718.5
FT-SE 750	700,000	£600,000,000	3,885.5
FT-SE 850	600,000	£500,000,000	4,052.5
FT-SE 950	500,000	£400,000,000	4,219.5
FT-SE 1050	400,000	£300,000,000	4,386.5
FT-SE 1150	300,000	£200,000,000	4,553.5
FT-SE 1250	200,000	£100,000,000	4,720.5
FT-SE 1350	100,000	£50,000,000	4,887.5
FT-SE 1450	50,000	£25,000,000	5,054.5
FT-SE 1550	25,000	£12,500,000	5,221.5
FT-SE 1650	12,500	£6,250,000	5,388.5
FT-SE 1750	6,250	£3,125,000	5,555.5
FT-SE 1850	3,125	£1,562,500	5,722.5
FT-SE 1950	1,562	£781,250	5,889.5
FT-SE 2050	781	£390,625	6,056.5
FT-SE 2150	390	£195,312	6,223.5
FT-SE 2250	195	£97,656	6,390.5
FT-SE 2350	97	£48,828	6,557.5
FT-SE 2450	48	£24,414	6,724.5
FT-SE 2550	24	£12,207	6,891.5
FT-SE 2650	12	£6,103	7,058.5
FT-SE 2750	6	£3,051	7,225.5
FT-SE 2850	3	£1,526	7,392.5
FT-SE 2950	1	£763	7,559.5
FT-SE 3050	0	£0	7,726.5

Banks under pressure

FEARS that NatWest Bank was planning to call on investors for extra cash set nerves jangling in the banking sector. The rumour came at a time when, according to merchant bank Robert Fleming, the sector had hit an 17-year relative high against the market and gave an ideal opportunity to take profits.

Mr Nick Dobby of Flemings said there was talk that NatWest could be considering a rights issue in the region of £1bn. He added: "There is no loan growth at the moment, the bank's capital ratios are well in excess of the regulatory minimum and investors would be likely to focus on Barclay's 2921m cash call in 1993 which did not prove a very efficient investment."

NatWest shares fell 12 to 445p with 14m traded. However, it was also suggested that, if NatWest needs to raise cash, Barclays needs it more and the latter's shares fell 18 to 426p. Meanwhile, Lloyds fell 11 to 387p hampered by speculation that it was lining up a bid for one of three old candidates, TSB, Royal Bank of Scotland or Standard Chartered. One might have expected the bid candidate to improve but the whole sector was held back by a feeling that base rates will not be cut any further in the short-term.

Queens Moat deal
The sale by the joint managing director of Queens Moat

Houses of half his equity holding in the hotel group was followed by a heavy fall in the share price. The sale came just ahead of the closed period, during which company officers are prohibited from dealing in the stock market. Queens Moat, whose shares have traced an erratic path recently, will announce results at the beginning of April.

The shares were marked back sharply in August. They hit a low of 274p when the bank revealed an unexpected jump in debt, in spite of improved profits and increased dividend.

Yesterday, Mr Martin Marcus sold 500,000 shares at 574p, a further 600,000 at 57p, a slight discount to the prevailing market price. The shares fell heavily but later rallied to close at 554p, a fall of 4p. Turnover was a chunky 4.8m.

Clifford approach

An announcement from Clifford Foods that it had been

approached by a potential suitor prompted excitement in the food manufacturing sector. Market fingers pointed at Unigate, with analysts close to the company hinting that the two may have held discussions recently. Others which might be interested could include Avonmore, the Irish dairy group, Northern Foods, French concern BSN and MD Foods of Denmark.

Clifford is a family-controlled and any offer would have to be agreed. Its concentration in the south-eastern liquid milk market would fit into Unigate's acquisitive milk-orientated strategy. Analysts put a price tag of around £50m on Clifford, a sum easily affordable by Unigate without resorting to issuing paper. Clifford ordinary voting shares jumped 85 to 605p, with the 'A' shares up 32 to 218p. Unigate slipped 5 to 385p and Northern a penny to 262p.

Merchant bank Hambros had a volatile share performance ahead of an announcement

that it had won a court case brought in Oslo by the Norwegian Guarantees Institute. The shares were down 8p earlier as investors thought Hambros had lost the case but they finished a net 15 up on the day at 313p.

Water utility shares lifted as analysts said their average dividend growth was likely to outpace that of the market and stressed the companies' defensive qualities. Thames Water was up 10 to 497p, Severn Trent 8 at 474p and Anglian Water 7 at 488p. Panmure Gordon's Mr Angelos Anastasiou estimates real dividend growth for the market at nine per cent over the next five years compared with 19 per cent for the water sector.

Fisons lifted 6 to 233p following an announcement from the company that it has signed a marketing deal. The deal is not significant in itself but lends growing support to the growing view that the company is more viable. There was also a return of lingering bid speculation.

Croda International jumped 13 to 263p on hopes for a new multiple sclerosis treatment. However, the company sought to temper optimism saying clinical trials had not begun yet.

FEARS of a rights issue in the banking sector led to a decline in stock index futures that was only curbed by a strong opening on Wall Street, writes Joel Kibben.

The March contract on the FT-SE started firmly at 3,677 and advanced on good buying, reaching 3,697 by around 10am. The contract had been expected to continue moving

forward but around mid-morning speculation of a rights issue in the banking sector surfaced.

This caused a retreat in March with sentiment also hurt by continuing worries in the food sector of an imposition of VAT on food.

The early gains in New York, however, helped the contract claw back some of the

earlier falls and March finished at 3,677, just ahead of Thursday's close, with turnover reaching 11,261 lots.

The traded options saw business of 32,636 lots, down on Thursday's 43,888 lots. Some 7,037 lots were dealt in the FT-SE 100 option and among the stock options, GSC traded 4,118 contracts with Trafalgar House and Barclays also busy.

RISES AND FALLS YESTERDAY

Index	Open	High	Low	Close
FT-SE 100	2,883.5	2,900.5	2,866.5	2,883.5
FT-SE 250	3,050.5	3,067.5	3,033.5	3,050.5
FT-SE 350	3,217.5	3,234.5	3,193.5	3,217.5
FT-SE 450	3,384.5	3,401.5	3,359.5	3,384.5
FT-SE 550	3,551.5	3,568.5	3,527.5	3,551.5
FT-SE 650	3,718.5	3,735.5	3,694.5	3,718.5
FT-SE 750	3,885.5	3,902.5	3,864.5	3,885.5
FT-SE 850	4,052.5	4,069.5	4,033.5	4,052.5
FT-SE 950	4,219.5	4,236.5	4,201.5	4,219.5
FT-SE 1050	4,386.5	4,403.5	4,371.5	4,386.5
FT-SE 1150	4,553.5	4,570.5	4,538.5	4,553.5
FT-SE 1250	4,720.5	4,737.5	4,707.5	4,720.5
FT-SE 1350	4,887.5	4,904.5	4,872.5	4,887.5
FT-SE 1450	5,054.5	5,071.5	5,039.5	5,054.5
FT-SE 1550	5,221.5	5,238.5	5,209.5	5,221.5
FT-SE 1650	5,388.5	5,405.5	5,376.5	5,388.5
FT-SE 1750	5,555.5	5,572.5	5,544.5	5,555.5
FT-SE 1850	5,722.5	5,739.5	5,711.5	5,722.5
FT-SE 1950	5,889.5	5,906.5	5,880.5	5,889.5
FT-SE 2050	6,056.5	6,073.5	6,045.5	6,056.5
FT-SE 2150	6,223.5	6,240.5	6,212.5	6,223.5
FT-SE 2250	6,390.5	6,407.5	6,381.5	6,390.5
FT-SE 2350	6,557.5	6,574.5	6,548.5	6,557.5
FT-SE 2450	6,724.5	6,741.5	6,715.5	6,724.5
FT-SE 2550	6,891.5	6,908.5	6,882.5	6,891.5
FT-SE 2650	7,058.5	7,075.5	7,049.5	7,058.5
FT-SE 2750	7,225.5	7,242.5	7,216.5	7,225.5
FT-SE 2850	7,392.5	7,409.5	7,383.5	7,392.5
FT-SE 2950	7,559.5	7,576.5	7,550.5	7,559.5
FT-SE 3050	7,726.5	7,743.5	7,717.5	7,726.5

Source: FT Computations

Prices are determined by the London Stock Exchange. They are subject to change without notice.

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FINANCIAL TIMES STOCK INDICES

Index	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Year	High	Low
Ordinary share	2,883.5	2,818.5	2,225.7	2,187.5	2,207.5	1992.5	2,225.7	1,770.0
Ord. sh. yield	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.28
Dividend yield	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02
P/E ratio	21.89	21.89	21.89	21.89	21.89	21.89	21.89	21.89
P/E ratio	20.17	20.17	20.17	20.17	20.17	20.17	20.17	20.17
Dividend yield	7.63	7.63	7.63	7.63	7.63	7.63	7.63	7.63

Source: FT Computations

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* Current Unit Trust prices are available from ET Citidire. For further details call (071) 825 2128.

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مكتبة ابن أبي عمير

* Current Unit Trust prices are available from ET Citivine. For further details call (071) 925 2129

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FT MANAGED FUNDS SERVICE[illegible]

US MARKETS
(3 PM)[illegible]

NEW YORK

	Feb 8	Feb 6	Feb 3	Feb	1989/93		
					MGM	LOW	
AUSTRALIA							
100 (October 1978)	105.3	103.4	103.0	103.0	104.58 (22/5/89)	130.29 (16/11/89)	
100 (March 1978)	106.8	106.6	105.9	102.1	103.88 (30/7/89)	141.40 (1/12/89)	
GERMANY							
100 (October 1978)	336.08	337.38	333.30	330.78	335.67 (24/5/89)	347.41 (3/12/89)	
100 (March 1978)	301.28	295.34	292.18	288.22	309.63 (24/5/89)	325.48 (3/12/89)	
IRELAND							
100 (October 1978)	1235.61	1217.98	1217.88	1208.60	1205.40 (29/6/89)	1262.87 (29/6/89)	
DENMARK							
200 (March 1978)	254.56	268.04	266.88	263.90	263.20 (15/7/89)	254.48 (2/12/89)	
FRANCE							
100 (October 1978)	509.08	509.04	505.1	503.8	505.90 (24/2/89)	541.00 (7/12/89)	
100 (March 1978)	484.11	485.16	479.18	477.31	555.93 (27/2/89)	541.70 (7/12/89)	
100 (October 1978)	1081.28	1054.28	1044.81	1038.79	1037.49 (1/10/89)	1071.04 (1/12/89)	
GERMANY							
100 (October 1978)	643.01	633.27	625.78	623.89	738.28 (24/5/89)	1065.91 (12/12/89)	
100 (March 1978)	643.01	633.27	625.78	623.89	738.28 (24/5/89)	1065.91 (12/12/89)	
100 (October 1978)	1641.22	1641.22	1641.22	1638.09	1631.17 (25/5/89)	1631.17 (25/5/89)	
HONG KONG							
100 (October 1978)	5747.21	5778.61	5710.80	5652.63	5840.11 (18/11/89)	6301.78 (2/12/89)	
ITALY							
100 (October 1978)	1349.42	1324.28	1324.44	1304.08	1307.57 (17/7/89)	1304.88 (18/12/89)	
FINLAND							
100 (October 1978)	524.21	495.14	494.00	491.30	501.89 (30/5/89)	509.00 (1/12/89)	
100 (March 1978)	1114.8	1108.8	1090.5	1081.1	1114.00 (25/2/89)	1082.00 (1/12/89)	
JAPAN							
100 (October 1978)	1733.00	1733.00	1722.63	1718.31	2380.11 (2/12/89)	4008.01 (1/12/89)	
100 (March 1978)	1306.47	1303.63	1297.30	1291.18	1703.53 (30/5/89)	1702.00 (1/12/89)	
100 (October 1978)	1890.32	1880.42	1885.38	1874.01	2455.95 (1/7/89)	2155.77 (1/12/89)	

S TRADING ACTIVITY

U.S. Comptroller (4470)	644.93	642.95	631.94	628.36	600.36 (1/1/1962)	544.85 (1/1/1965)
U.S. Laborers						
307.2 (307.2) 1963					314.80 (6/1/1965)	274.25 (1/1/1968)
206.8 (206.8) 1963					215.90 (3/1/1965)	188.70 (1/1/1968)
U.S. Navy (4470)						
656.41 (656.41) 1963					772.74 (1/1/1965)	522.45 (2/1/1968)
PHILIPPINES						
Philippine Const Corp (PUS)	7542.01	7337.04	1321.68	1394.75	1390.35 (1/1/1965)	1063.01 (1/1/1968)
U.S. Air Force (2473)	410.81	411.09	412.48	415.54	438.00 (1/1/1965)	361.61 (1/1/1968)
SOUTH AFRICA						
U.S. Army (2473)	671.09	669.8	669.8	669.8	1297.00 (2/1/1965)	748.00 (1/1/1968)
U.S. Navy (2473)	4588.99	4581.0	4526.0	4548.0	4588.00 (4/1/1965)	3636.00 (1/1/1968)
SOUTH KOREA**						
U.S. Army (2473)	672.34	672.34	672.34	672.34	1297.00 (2/1/1965)	748.00 (1/1/1968)

SPAIN						
Spain SE (2013/20)	238.82	237.82	238.40	233.98	266.51 (2012/20)	178.48 (2010/20)
SWEDEN						
Sweden Sweden SW (11/23)	958.2	958.8	952.6	958.6	1014.68 (11/23)	630.00 (2010/20)
SWITZERLAND						
Swiss Bank Int. (31/12/20)	943.3	934.8	831.0	938.8	943.30 (31/12/20)	748.00 (2010/20)
BC Geneva (1/1/87)	718.2	713.8	716.3	710.8	712.30 (2/2/93)	598.40 (2010/20)
THAILAND						
Thailand Price (20/10/20)	3521.46	3571.48	3552.36	3542.26	5391.52 (30/1/02)	3088.43 (2/1/02)

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WORLD STOCK MARKETS

AMERICA

Dow extends its climb on jobs report

Wall Street

BIG BOARD shares rallied yesterday morning, lifted by an encouraging January employment report and residual bullishness from the cut in German rates, writes Karen Zager in New York.

At 1 pm, the Dow Jones Industrial Average was up 5.94 at 3,422.88 after climbing more than 24 points earlier in the day. Other market indices failed to keep pace with the Dow's roaring performance.

The more broadly based Standard & Poor's 500 eased 0.10 to 447.46 and the Nasdaq composite dropped 9.16 to 699.69. The Amex composite moved higher in morning trading, adding 0.86 to 416.37. Trading volume on the NYSE was heavy at 196m shares by 1 pm, and declines led rises by 897 to 826.

The Dow, which surged more than 100 points in the first four days of the week, rose 42.85 on Thursday to 3,415.74.

Investors took heart from the January employment report, which showed a 106,000 addition to non-farm payrolls and a decline in the unemployment rate to 7.1 per cent from 7.3 per cent. December non-farm payrolls were adjusted up to 90,000 from 64,000.

Chrysler, which has moved steadily higher since the successful completion of its huge new stock offering earlier this week, firmed 81 1/4 to \$40.

Among the other big three auto makers, General Motors rose 3/4 to \$36 1/4 and Ford held steady at \$30.

Shares in cellular telephone companies, which rallied earlier this week on reports that there was no evidence of a link between cellular phone use and cancer, were mixed in mid-session trading. Motorola fell 3/4 to \$54 1/4, GTE added 3/4 to \$30 1/4 and McCaw Cellular was 3/4 higher at \$34 1/4.

Cyclical stocks once more contributed to the Dow's rally. Minnesota Mining & Manu-

turing gained 1 1/4 to \$106 1/4. Aluminum Company of America advanced 1 1/4 to \$77 1/4 and International Paper improved 1 1/4 to \$69 1/4.

Drug stocks, on the other hand, have been particularly vulnerable since the Clinton election and continued to lose ground. Merck edged towards a 52-week low, sliding 3/4 to \$37 1/4. Pfizer dropped 1 1/4 to \$63 1/4. Upjohn eased 3/4 to \$29 1/4 and Bristol-Myers Squibb was down 3/4 to \$57 1/4.

Barr Laboratories plummeted 3/4 to \$9 1/4 after the company was ordered by a federal district court to suspend, temporarily, 34 products. The court denied a request by the Food and Drug Administration to shut down the company altogether.

Barr has denied FDA allegations that it committed unsafe practices, including mislabeling drugs and using contaminated water.

In Nasdaq trading, shares in Amgen plunged 3/4 to \$54 1/4. The biotechnology company's investment rating was cut by Mahon Securities amid concern that Amgen's sales were slowing.

Canada

TORONTO moved up as a fall in the domestic unemployment rate combined with the effect of the Japanese and German interest rate cuts. The TSE 300 index rose 10.04 to 5,378.44 at midday in volume of 30m shares.

Stelco reflected new optimism about the North American steel industry, rising 41 cents to C\$2.68 in 1.33m shares.

SOUTH AFRICA

INDUSTRIALS picked up towards the close on but other sectors continued to ease. The overall index dipped 8 to 3,470, 1 per cent higher on the week. The industrial index added 8 to 4,589 and golds fell 14 to 871.

German financials climb on Buba initiative

But from now on, there will be contradictory factors at work on Frankfurt stocks, writes David Waller

At last, action from the Bundesbank! Thursday's cuts in key German interest rates were no surprise in themselves, but the timing of the move certainly was, especially in the wake of hawkish comments from members of the Bundesbank's council last week which led many economists to believe that rates would not start falling until March or even April.

Expectations of a cut had fuelled a January rally in the German stock market, which pulled a little in the last week of the month, and which has since revived. The DAX blue chip index of 30 shares was up 1.3 per cent last month, and the wider FAZ general index by 3.2 per cent.

The cut itself prompted a strong rally. The DAX climbed yesterday by 32.76 to 1,641.57, a recent high for the year. Financial shares - particularly sensitive to interest rate movements - showed impressive gains. Allianz, the big insurance company, climbed 2.7 per cent. Dresdner Bank rose by

5.7 per cent, Deutsche Bank by 5 per cent and Commerzbank by 4.5 per cent.

From now on, the German equity market is likely to be influenced by two contradictory factors.

On the one hand, interest rates are definitely, unequivocally on the way down. The detailed timing and scope of further cuts is not clear but economists expect lead rates to fall by 200 basis points by the end of the year. This is positive for equities, in principle.

All other asset classes are unattractive," says Mr Sy Schlüter at CSFB First Boston in Frankfurt. "Cash has lost its appeal and bond market yields have already discounted further rate cuts. The yield on 10-year bonds is likely to be at the same level at the end of the year as it is now (around 7 per cent)."

Working against this is the fact that the downturn in the German economy has by no means reached a low point. There is plenty of bad news still to come from the corporate sector and the latest inter-



Germany
DAX
1990-91-92

est rate cut is not going to lead to a sudden reversal in the outlook for corporate earnings this year.

This outlook is bleak: Mr Reinhard Fischer, head of German equity research at Paribas Capital Markets in London, calculates that earnings on the DAX companies will drop by 14.5 per cent in 1992 and by a further 7.4 per cent in 1993. This puts the market as a whole on a multiple of some 17.6 times current year earnings, higher than the average in recent years.

"The danger is that the current rally may prove to be no more than a bubble," says Mr Fischer, who is predicting that in the next two to three months the DAX will climb to 1,700 before dropping back again. "The market is not at all supported by fundamentals."

Under these conditions, the choice of stocks becomes especially important. Mr Schlüter at CSFB divides his recommendations into two categories: companies which are likely to outperform over the short-term, irrespective of fundamentals, and those which offer fundamental value over the longer term as well.

He believes that clients interested in making trading profits should buy Deutscher Wertpapierhandel, in spite of the problems affecting the German car manufacturing sector. Siemens also should be bought on a short-term view but rates only as a hold for the medium to long-term.

These stocks have high beta values, traditionally outperforming when the market is rising, and doing worse than the market when share prices are sinking. Other companies with high beta values include Allianz, Deutsche Bank and Munich Re, the large reinsurance company.

Of these, Mr Schlüter likes Deutsche and Munich Re as short and long-term investments. Allianz is seen as attractive in the short term, but the discount of the share price to asset value is far less pronounced than at Munich Re, where the asset value is DM3,500 per share compared to yesterday's share price of DM2,850. Allianz, traditionally viewed as a proxy for the market, closed up DM58 yesterday at DM2,500, compared with an estimated asset value of DM2,500.

The choice of Deutsche Bank among the big banks is not shared by all analysts. Mr Paul Brunker at Robert Fleming in London recommends buying Dresdner instead. Deutsche traditionally has the highest rating of the

three large banks and for the last year its earnings are likely to slip back from DM49.50 per share to DM33 for 1993 according to Paribas estimates.

Analysts also point to the two large Bavarian banks (Hypo Bank and Bayerische Vereinsbank) where business is traditionally weighted towards mortgage business rather than risk-prone commercial lending. DePia, the Wiesbaden-based mortgage bank which was one of last year's star performers with a share price rise of nearly 50 per cent, is still favoured.

Among the more cyclical stocks, Bayer is preferred to the other large chemical companies simply on the grounds that its high proportion of pharmaceutical sales leaves it less exposed to the downturn in the world chemicals markets.

Mr Fischer predicts that it will cut its dividend for 1993 from DM13 to DM10, but that BASF's dividend will fall from DM12 to DM8 and Hoechst's from DM12 to DM10.

Some switching was seen out of Swiss bank shares into Industrials or German bank shares, on the assumption that lower interest rates were already discounted in current Swiss bank share prices. Beneficiaries included Roche, which added 1/2 to SF4,160.

EBUSSELS had to contend with Petrofina's 72 per cent drop in profits, and a 1 per cent drop in the oil group's shares which closed BF380 lower at BF7,260.

However, the Bel-20 index still rose 6.67 to 1,226.91, 3.3 per cent up on the week as Belgium's holding companies improved their standing, and Kredietbank put on BF250, or 4.1 per cent to BF6,400.

COPENHAGEN suffered foreign selling and profit-taking that took the KFX index down 2.47 to 63.70. STOCKHOLM rose on hopes of lower interest rates. The AKA index General index added 15.4 to 928.3.

EUROPE

Paris 7.7% better on week as bourses celebrate

INTEREST-rate sensitive bourses, particularly Paris, Frankfurt and a partly obscured Brussels, continued to reflect the cut in German interest rates yesterday, writes Our Markets Staff.

PARIS closed with the CAC-40 index above 1,900 for the first time since June 30, up 93.50, or 2.9 per cent on the day at 1,908.18, and 7.7 per cent better on the week after a fall of 4.6 per cent in January.

Turnover stayed unusually strong, climbing again to over FF55bn as financials, and shares in heavily indebted companies extended Thursday's gains.

Poliet, the building materials group controlled by Paribas, gained FF21 or 9.1 per cent to FF231. Paribas itself put on FF23.40 or 3.7 per cent to FF244.90 in 324,000 shares and Credit Lyonnais, the municipal finance bank, ended FF23, or 6.4 per cent higher at FF237.

Suez rose FF4.50 to FF223.10 in 766,000 and the deeply indebted Eurotunnel picked up FF1.26, or 3.5 per cent to FF37.65 in very heavy volume of 3.5m shares.

FRANKFURT left the DAX index up 4.4 per cent on the week. Turnover, on a rising trend all week, rose from DM7.1bn to DM9.5bn.

Domestic investors, particularly in Italy, were attracted to financials, said Mr Hans-Peter Wodnick of James Capel in Frankfurt. They liked their interest-rate sensitivity, the bonus to the banks in the release of DM33bn of interest-free reserves, and the implied improvement in German banking competitiveness.

Steels and some engineers were relatively, or actually depressed. Krupp Hoesch, closing one of its blast furnaces temporarily because of weak demand, fell DM1 to DM113. MILAN's Comit index rose

6.07 to 504.21, a 3.5 per cent rise on the week. Confirmation that Prime Minister Giuliano Amato's coalition government had won yesterday's confidence vote was the one for renewed foreign buying in a market already well supported by domestic investors.

Trading continued to be buoyed by this week's interest rate cuts, and hopes of another rise in Italy soon. Telecoms found strong support after the postal minister, Mr Maurizio Paganini, reaffirmed plans to reorganise the sector and cut the state's stake below 60 per cent. Stet fixed LBO higher at L2,270 and rose to L2,390 after hours while SIP put on L/3 to L1,686.

AMSTERDAM finished broadly firmer after the trauma of recent days, buoyed by the higher dollar, lower interest rates and firmer overseas stock markets.

The CBS Tendency index rose L80 to 97.70 for a half per cent rise on the week.

L-I-SE Actuaries Share Indices

February 1

Yearly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1125.44	1126.51	1125.60	1127.91	1128.12	1128.38	1128.52	1128.52
FT-SE Actuaries 200	1181.11	1180.33	1181.91	1180.52	1180.59	1180.83	1180.43	1180.21

Yearly changes

FT-SE Actuaries 100	FT-SE Actuaries 200
1113.25	1153.60
1097.03	1171.25
1089.43	1155.59
1088.01	1148.15

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AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
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AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	INVESTMENT TRUSTS - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle
AMERICANS	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ELECTRICAL	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	ENGINEERING-GENERAL - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	HOTELS & LEISURE - Cont.	Symbol	Price	Change	Volume	High	Low	Open	Close</											

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Company	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993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US jobless rate falls as economy gains strength

By Michael Prowse
in Washington

A FALL in US unemployment to 7.1 per cent, the lowest level in a year, yesterday indicated that faster growth in the economy is beginning to dent high levels of joblessness.

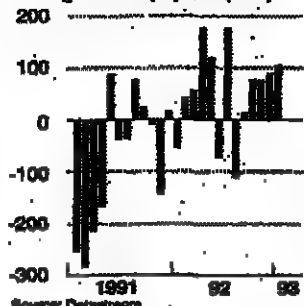
A White House spokeswoman welcomed the figures but noted that the jobless rate was still higher than at the end of the recession in the first half of 1991. President Bill Clinton believed it was still necessary to "kick-start" the economy because of the relatively slow pace of job creation, she said.

The January unemployment rate compares with levels of 7.3 per cent in December and a peak of 7.7 per cent last June, the Labour Department reported. Adult male unemployment fell particularly sharply last month, to 6.4 per cent against 6.8 per cent in December.

In another sign of economic strength, the length of the average working week in manufacturing rose from 41.2 to 41.4 hours - the highest level in

US employment

Civilian labour force changes
non agricultural payrolls ('000)



Source: Dataquest

more than 25 years. The pace of job creation, however, is still relatively subdued. Non-farm employment rose by 106,000 to 108.6m last month, roughly in line with analysts' projections, but only about a third to a half of the monthly increase registered in previous recoveries.

The sluggish job creation is occurring in spite of a clutch of economic indicators pointing to an acceleration of economic growth. The discrepancy reflects

rapid increases in output per worker. US productivity rose 2.7 per cent last year, the biggest increase for 20 years.

Mr Richard Berner, chief economist at Mellon Bank in Pittsburgh, said the employment report was stronger than it looked. The proportion of industrial sectors reporting higher employment had risen sharply in the past three months, suggesting that the recovery was becoming more firmly established.

There had also been an encouraging decline in the numbers of workers forced to work part-time as opposed to full-time.

Sectors registering employment gains last month included manufacturing, transport and the retail and wholesale trades.

Manufacturing employment has risen by 50,000 to 18.1m in the past three months, suggesting growth by past standards but a big improvement on the previous three months when 200,000 factory jobs disappeared. Construction employment, however, fell 87,000 last month, reflecting the continuing weakness of commercial real estate markets.

Iveco Ford urges no bail-out for Daf

By Kevin Dore,
Motor Industry Correspondent

IVECO FORD, the truck maker, urged the government yesterday not to "bail out" Daf, its Anglo-Dutch rival, which collapsed into administrative receivership earlier this week.

Mr Alan Fox, Iveco Ford chief executive, claimed in a letter to Mr Michael Heseltine, trade and industry secretary, that £750m of accumulated debt had been written off by the government when Daf took over Leyland Vehicles in 1987.

"Surely there can be no further government-funded financial support for a company with such a track record," he said. "We think it right that you do not intend to bail out Leyland Daf because clearly there is too much truck manufacturing capacity available even for an annual market of 50,000 new trucks," he said.

UK new truck sales were only 31,398 last year, 55 per cent down on the peak of 69,234 in 1989.

"Should there be any change in government policy in respect of direct or indirect support to Leyland Daf, then Iveco Ford would look to receive an equal benefit and opportunity," Mr Fox said in his letter.

Iveco Ford, a joint venture between Iveco, commercial vehicle subsidiary of Fiat of Italy, and Ford, the US vehicle maker, lost the leadership of the UK new truck market to Daf two years ago.

Iveco Ford itself continued to lose £500,000 a week "due to the parlous state of the British truck market", Mr Fox said. The Iveco Ford truck plant at Langley, Berks, could make 15,000 trucks a year, but was currently "screwed down to just 8,000. This is why we are losing money."

Iveco Ford Truck suffered losses in 1992 of £26.25m, Mr Fox disclosed.

Leyland Daf Finance, the truck maker's hire purchase and leasing arm yesterday closed its five UK regional offices.

Company's town's glorious past, Page 4

Clydeside shipworkers on strike after rejecting two-year offer

By David Goodhart,
Labour Editor

WORKERS at the Yarrow warship yard on Clydeside have gone on indefinite strike for the first time since 1986 after rejecting the company's pay offer and their union officials' recommendation to accept it.

The 1,300 strikers, at the most successful of Britain's biggest warship yards, made a substantial increase on their basic weekly rate, currently £218 for a skilled man.

The company's two-year offer would give them a £300 lump sum payment immediately, followed by a 3.8 per cent rise in July. In return, the company wants some changes to working practices, including the abolition of a Friday morning tea-break.

Strikes are now rare at the once militant Clydeside shipyards, and in the UK as a whole there were only 21 stoppages in November, the last month for which figures are available. The strike at Yarrow is unlikely to herald a new wave of industrial action.

Public sector workers appear reluctant to take action against the government's 1.5 per cent pay norm and, according to the Confederation of British Industry, nearly one company in three is freezing pay or at least deferring the annual pay rise.

The CBI data are contested by pay analysts Income Data Services, which says that only one settlement in six is being frozen. National Westminster and Lloyds banks have decided to award no general increase.

Yarrow, owned by Britain's

General Electric Company, is in a relatively comfortable position, with orders for five Type 23 frigates for the Royal Navy and two for the Malaysian navy. But the company said there was no more money to offer and that any strike would have an adverse effect on future orders in the tight defence market. It recently made 400 workers redundant at the yard, which employs a total of 2,500 people.

Mr Brian Horan, convenor of the unions at Yarrow, said: "We have accepted some unpleasant deals over the last few years, when we have been fighting for our lives. Clearly people feel that with the orders there now there's a bit more leeway."

Pay rates were last increased by the rate of inflation in July 1991 as part of a two-year deal.

Emu fast track considered

Continued from Page 1

gic currency. Any move to create a Franco-German-led monetary union outside Maastricht would be likely to invite legal challenges, not least because it would jeopardise the independence of Germany's central bank.

But the French official pointed out that, while Germany's central bank was in charge of day-to-day economic decisions, "the politicians have the last word".

This week, Sir Leon Brittan, EC trade commissioner, said if the ERM collapsed, "something would emerge from the wreckage". Observers interpreted his comments as a warning to UK

Euro-sceptics that they are wrong to assume that instability in the foreign exchange rates spells the end of Emu.

The increasingly public debate about a "fast track" to Emu may also be driven by tactical considerations in Paris and Bonn to bolster the franc in the run-up to the French parliamentary elections.

As one senior EC official pointed out, the more the currency markets believe there will be a Franco-German initiative to create fixed exchange rates, the less likely they are to attack the franc-D-Mark parity and the less likely the need therefore for a politically controversial move to a "fast track" Emu.

Jets in Ukraine arms bazaar

Continued from Page 1

been held in the past few months in Moscow. Western diplomats say they are even more concerned about murky arms deals in the central Asian republics, which are suspected of providing weapons to Iran.

But who supplies the weapons to the Ukrainian-Siberian Exchange? Mr Blinkov says the weapons are being supplied by a private Russian source, which claims to have the ability to manufacture arms to order as well as providing older weapons.

According to specifications supplied by the seller, the weapons can be delivered at various

ports in Russia and the Baltics and at an airport in the European region of the former Soviet Union.

The role of the exchange is to act as intermediary between buyers and the seller, who will sign the final arms contract. Why, then, choose the Ukrainian-Siberian exchange as a middleman which will take a commission of up to 2 per cent?

"I think that they wanted the transaction to occur at some distance from Moscow," Mr Blinkov said. Because the seller claims the capacity to produce weapons, he is convinced that "this is the state acting under cover of private business".

Heseltine takes swipe at accountants

Continued from Page 1

only one-third the number of craftsmen and technicians as in France and one quarter of those in Germany. And German industry is now worried that it cannot attract enough trainees."

His speech marked the increasing emphasis being put by Whitehall, including by Mr John Major, on a revival in manufacturing - a stark contrast to the focus on services under Mrs Margaret (now Baroness) Thatcher, the former prime minister.

He described manufacturing as

offering "a key to our future success" and to international competitiveness. The bulk of world trade was in manufactured goods. Financiers needed to understand businesses and "to look for rewards in the future, rather than the day after their investment".

Accountants were not unnecessary, "but in the UK the classic route to the top has been via the City, Parliament and above all accountancy. The result? One study in the mid-1980s suggested Britain had over 120,000 qualified accountants - 20 times

more per head of population than Germany or Japan.

"Valuable though the services of lawyers and accountants can be, they cannot survive in a vacuum," he said. "They need clients: clients that are successful."

In fact, Mr Heseltine's number crunching abilities fell short yesterday. There are currently more than 200,000 accountants registered with the five principal professional bodies in the UK and Ireland alone.

"So speaks a failed accountant," said Mr Ian Brindle, senior partner of Price Water-

house, one of the UK's largest accountancy firms, referring to the fact that the secretary of state for industry did not qualify in the 1980s.

Mr Andrew Colquhoun, secretary and chief executive of the Institute of Chartered Accountants in England and Wales, who spoke cautiously as the Institute reports to the DTI on regulatory matters, said comparisons with other countries were difficult. He said accountants controlled many highly successful companies such as BTR, Glaxo and Grand Metropolitan.

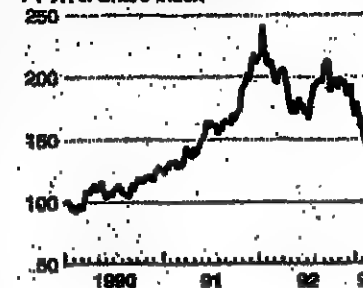
THE LEX COLUMN

On high ground

FT-SE index: 2862.9 (-3.0)

Glaxo

Share price relative to the FT-SE All-Share Index



Source: Dataquest

whether effective checks and balances have been restored. BA tried to reassure by giving the deputy chairman, Sir Michael Angus, specific responsibility for monitoring executive directors. That rather begs the question of what he thought he was doing before. One hopes the promised appointment of another non-executive director will mark a further step towards credible supervision.

That leaves BA's ambiguous trading outlook. Margin gains from sterling's depreciation may offset sticky traffic figures for premium seats. But, by aggressively increasing capacity by 14 per cent this summer, BA threatens to dilute its yields. Coincidentally or not, this move will severely squeeze Virgin.

UK Accounting
Bank Organisation's annual report showed this week why investors should be on their toes. Even though Bank was adhering to the letter of the law in its restatement of last year's figures under the new accounting rules, it also included a debt £57m property revaluation provision that would not otherwise have appeared in the profit and loss.

It hardly helps that half the market will still be reporting under the old system during the coming results season. The City could ease the confusion by agreeing some standard definitions of normalised earnings, although that goes against the spirit of the reforms. There is merit in adjusting the volatile new earnings figure by subtracting disposals, closures and other one-off costs. That should leave a rump of sustainable earnings. But BZW wants

to deduct preference dividends, too, while NatWest Markets will put costs relating to failed bids above the line.

The onus is clearly on companies to be as transparent as possible. The Accounting Standards Board has already read the riot act to companies bending the new rules. The new legal status of accounting standards should encourage company directors and auditors to stick to the rules. The ASB's victory over Trafalgar House last year showed it has real teeth. But even companies with a clean record on compliance may use the opportunity to slip bad news into the market under the cover of confusion.

Glaxo

Glaxo is not the only drugs company being dragged through the mud by the market. Its performance over the past two months is not markedly worse than Wellcome. The US health sector fell by 8 per cent relative to Wall Street during January. On both sides of the Atlantic, investors are more interested in recovery than the defensive qualities of healthcare. Sterling's slide has made UK drugs stocks doubly unattractive. Since around a quarter of Glaxo's shares were held in the US, it has borne the brunt of the selling. But Glaxo cannot expect to find firm support until its ambitions in over-the-counter medicines are clear.

The company's conversion to the OTC cause was poorly explained from the outset. A perfunctory paragraph in last year's chairman's statement is hardly sufficient after the best part of a decade preaching the opposite. A rights issue to fund an OTC acquisition looks unlikely, especially since Glaxo has lost its premium rating. Given the dizzy multiple commanded by OTC businesses, funding any large move by selling paper would be uncomfortably dilutive. Without a clear statement of intent, the market might be forgiven for worrying.

A cautious move into OTC - perhaps on the model of last year's joint venture between SmithKline Beecham and Marion Merrell Dow - might secure a future for Zantac, the ulcer drug which accounts for 40 per cent of sales. Regardless of whether Glaxo defends Zantac's US patent this year, competition from generic versions of SmithKline's Tagamet is looming. Zantac is more effective, but with the US healthcare system in a penny-pinching mood, that will not count for much. A break into consumer markets makes sense, but not at any price.

British Airways

By doing the noble thing and bowing out early, Lord King has helped dispel the lingering anxieties caused by the Virgin imbroglio. The market nodded its approval yesterday by lifting BA's shares 3 per cent. It was obviously also pleased to see Sir Colin Marshall retain his dominant role by effectively combining the two top jobs in one.

Strict adherence to the principles of good corporate governance would have required the appointment of a non-executive chairman and a chief executive. But, given the City's admiration for Sir Colin, it has been prepared to settle for a compromise which, in the wake of the Virgin affair, looks a trifle lame.

The most important consideration is

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World Weather

UK Today: There will be outbreaks of rain in north-western Scotland. Elsewhere, it will be dry except for patchy drizzle over the hills. Early fog in southern counties will lift. Winds will be light in England but fresh in Scotland.

Temperatures of midday yesterday: 1 from GMT. Wind: S-SW. Cloud: Drizzle. Fog: H-Hall. Rain: S-Sunny. Snow: T-Thunder.

Algeria 12-14, Athens 18-20, Barcelona 17-19, Berlin 10-12, Birmingham 10-12, Bologna 10-12, Bradford 10-12, Bristol 10-12, Bucharest 10-12, Budapest 10-12, Cardiff 10-12, Casablanca 10-12, Catania 10-12, Copenhagen 10-12, Dublin 10-12, Edinburgh 10-12, Frankfurt 10-12, Geneva 10-12, Gibraltar 10-12, Glasgow 10-12, Hamburg 10-12, Harrogate 10-12, Helsinki 10-12, Hong Kong 10-12, Istanbul 10-12, Johannesburg 10-12, London 10-12, Lyons 10-12, Madrid 10-12, Manchester 10-12, Milan 10-12, Moscow 10-12, Newcastle 10-12, Nice 10-12, Oslo 10-12, Oxford 10-12, Paris 10-12, Rome 10-12, Seville 10-12, Stockholm 10-12, Tangier 10-12, Tokyo 10-12, Valencia 10-12, Vienna 10-12, Warsaw 10-12, Zurich 10-12.

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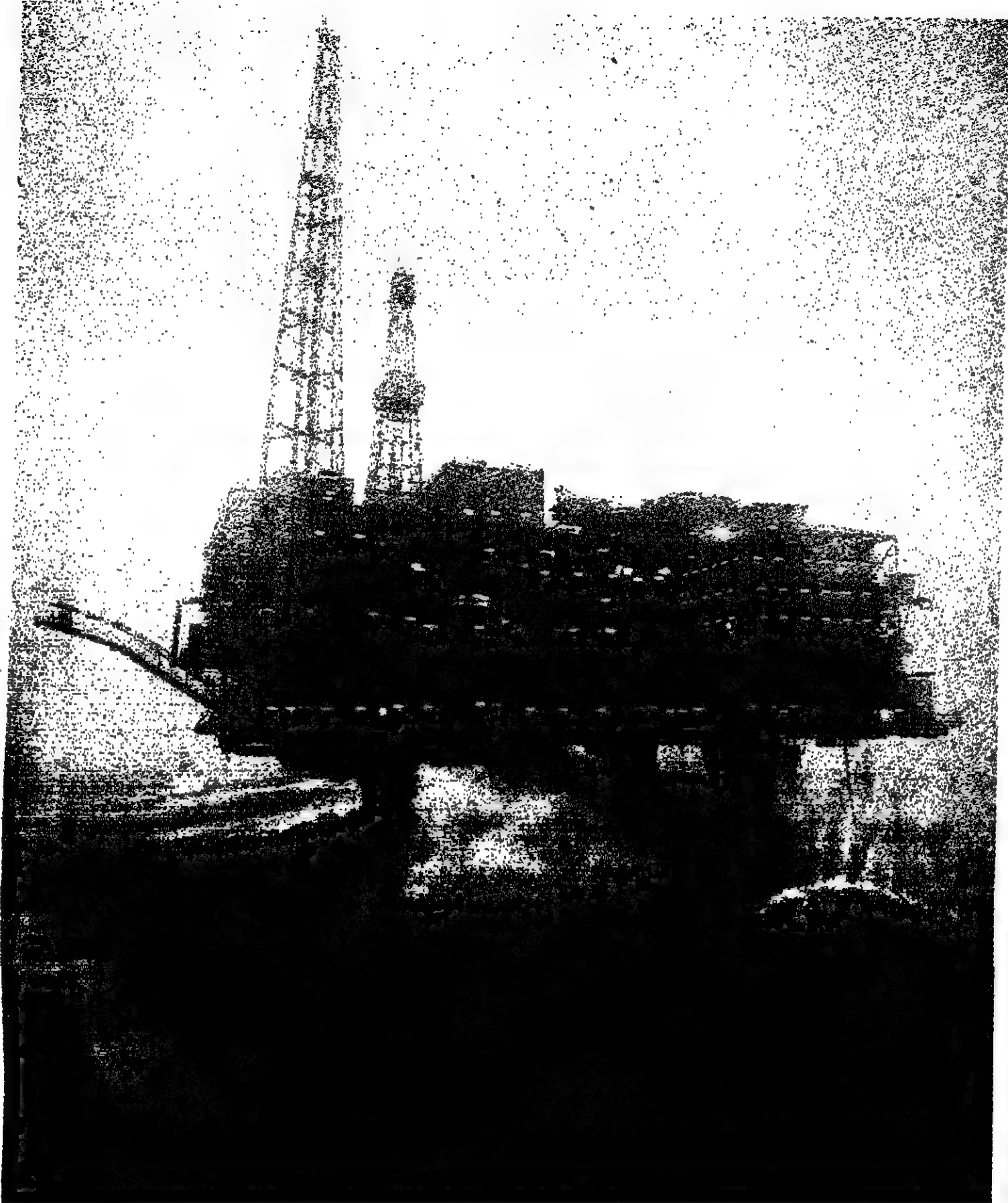
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Weekend FT

SECTION II

Weekend February 6/February 7 1993

Still plenty of North Sea life...



OIL BEGAN to flow from the North Sea 25 years ago, providing Britain with a timely means to gild its fading fortunes. But, as the present row over coal has shown, oil is a resource over which the average Briton frets as much as he gloms. The nation must be mad to shut collieries, he says, when it measures its coal reserves in centuries but oil and gas only in years.

What is the truth? It depends who you talk to. Unst is Britain's most northerly settlement, clustered round a wind-swept inlet of the Shetland islands. It is an area that drew unwelcome headlines last month when the tanker *Braer* ran on to rocks and spilled its entire cargo. Unst is where you board a helicopter for the 45-minute flight to the Ninian Central platform, one of those gigantic structures poking out of the sea, bristling with cranes and pipes.

Ninian is a grand-daddy of the North Sea. It has been braving storms for 24 years, and it shows. Weather-beaten, man-battered, already it is a monument to Britain's oil age. It is like a small village, with 200 inhabitants and a huge factory attached. Its generators can produce enough electricity to power Edinburgh. Migrating birds have made it a staging post. But it belongs to the past. When Ninian started, it sat astride one of the most productive fields yet found. The natural pressure in its vast reservoirs forced out 315,000 barrels of oil a day, enough to supply more than a fifth of Britain's needs on its own.

Today, liquid still gushes out of Ninian, but more than three-quarters of it is sea water which has to be pumped into the well to keep up the pressure. Ninian's workers now spend most of their time removing that water. They pipe the liquid into huge settling tanks where the oil separates out, rather like salad dressing left to stand.

To date, 1br of Ninian's estimated 3bn barrels have been sucked out and Derek Smith, the Chevron platform manager, thinks they may be able to get 1bn more. But you can never suck an oil well completely dry. Ninian's future depends on whether they dream up more sophisticated ways of extracting oil, and whether its price rises enough to justify extra investment. But the future is inescapable. Ninian is dying, slowly. "The field could last until 2004 or 2005," says Smith. Many people have claimed that Britain's oil wealth has been squandered. That is not the case at Ninian. Its glory days in the early 1980s also were the days of sky-high prices. It cashed in at the top of the market and provided the UK with a bonanza. Now, Ninian is having to

adjust to other realities of the North Sea: declining returns, rising costs, and the tougher regulations brought on by the 1988 Piper Alpha disaster. To boost its earnings and make full use of its 110-mile pipeline to the Shetlands, Ninian is developing a new role for itself as a collecting point for oil from neighbouring fields.

Ninian typifies a passing era. Britain's oil and gas production peaked in 1986 with 166m tonnes of oil equivalent, vastly more than its own needs of 127m tonnes. In 1991, output was down to 139m tonnes, barely meeting demand of 136m. Over the past 10 years, UK earnings from oil and gas have nearly halved - from more than £20bn to £11bn - and revenues from taxes and royalties have plummeted from £22bn to £1bn. In 1991, the oil and gas industry, with all the onshore jobs it sustains, accounted for a mere 1.5 per

The outlook for British hydro-carbon output is by no means drear, though it depends on who you talk to. David Lascelles makes a helicopter tour of oil rigs

cent of Britain's gross national product.

Oilmen will tell you that all the big North Sea fields probably have been found. In future, it is a matter of developing the smaller ones in between and finding ways to squeeze extra barrels out of the old ones. This decline has a lot to do with the weakness of the oil price, which is at a 20-year low in real terms. This is putting enormous pressure on the North Sea's traditionally high operating costs, and obliging the government to take a more lenient line on taxation and regulation. There is talk of some of the big US companies moving out.

The squeeze is apparent onshore as well. The great sea lochs of Scotland are packed with idle rigs; others are being towed thousands of miles to the new oil frontiers, such as Vietnam. Some months ago, Ben Line, one of the few British-owned rig operators, pulled out of the business because of slack demand. People in Aberdeen, Britain's oil capital, worry if the UK will preserve

enough of its stock of equipment and know-how to sustain an indigenous industry.

"UK-based industry is doing 80 per cent of the North Sea work but maybe only 5 per cent of the world market," says Ian Wood, chairman of John Wood Group, an Aberdeen-based energy service company. "We've made very little impact on the world scene. There's nothing like a Division 1 company in the UK." He is urging the government to help transform Aberdeen into an oil centre of world stature: a European Houston.

Two hundred miles south of Ninian is the Nelson rig. On the flight, you notice the multitude of platforms all around: to the east is Brent, another grand-daddy; to the south, Alwyn; to the west, Heather - all producing oil and gas. Gas flares create bright spots in the leaden sea. It does not look like an industry in decline.

Approaching Nelson, we pass the platforms of the Forties field, British Petroleum's biggest find. The helicopter circles, testing the wind currents. On the helipad, heavily-kitted emergency teams stand by. The machine settles on to a patchwork of thick rope, to stop the wheels sliding.

The story on Nelson is rather different from Ninian. This is not a production platform with its feet on the sea floor; it is a floating drill rig, and it is looking for new oil rather than sucking out old. At its heart is a huge drill stem capable of reaching five miles under the ocean floor. Below us lies the Nelson field, as yet untapped but with upwards of 500m barrels of oil. There is a buzz in the air.

"That's Forties' sand," says John Shute, the project director at Enterprise Oil, a part-owner of the field. In his hand is a pile of wet sand which has been drawn up by the drill. He holds it under an ultra-violet light. It glows yellow, meaning that it is moist with oil. Nelson's proximity to the BP field is the reason for the excitement. It is small by comparison - about a fifth of Forties' size - but is one of the largest being developed, so it represents a chunk of the North Sea's future.

Nelson is typical of the advances made in 25 years of North Sea exploration. In the old days, individual rigs moved expensively around the surface, drilling a string of vertical holes in the seabed. Nelson can do it all from one spot. Using steerable drill bits, it will bore 32 separate wells, playing out in all directions. So sophisticated has directional drilling become that Nelson's operators are able to aim a well more than two miles deep with an accuracy of 10ft.

The drill bit has an electronic black box which sends back pulses. Continued Page XXII

PHOTOGRAPHY
JEFF JONES

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The Long View/Barry Riley

Uneasy in Eastbourne



IT IS TIME to look again at the battle of the generations, the fluctuating economic struggle between young and old. For some years, the British wrinkles were doing remarkably well. You can't keep the young folk down for long, though, and they are hitting back with their penetrating weapons, cheap money and inflation. But have they been booby-trapped by debt?

The European exchange rate mechanism, as run by a beleaguered Bundesbank, has turned into a geriatric character. Soft-hearted Helmut Schlesinger may at last have relented but French, Danish and Spanish short-term interest rates have been well in double figures this week.

In the UK, money market rates stayed at 10 per cent until September and generated a huge flow of net interest payments, from young borrowers to old investors.

Only 16 per cent of people taking out new building society mortgages are 45 or older. The total annual servicing cost of some £330bn of mortgage debt was £7bn after tax relief. But that is now tumbling by £7bn, money lost in the main by the largely elderly savers who speak for the bulk of the £250bn-odd deposited in personal savings accounts at building societies and banks.

To make matters worse, pensions in payment will not be protected properly against inflation in the near future. This is because the retail price index is being reduced by the fall in mortgage rates, whereas the rise in the pensioners' price index (which excludes housing costs) is likely to accelerate from 3 per cent in the latter part of 1992 to 4 or 5 per cent this year.

Capital transfers within the housing market are also looking much healthier for the young. In the late 1980s, older owner-occupiers were selling out or trading down at extraordinary prices, and young people were assuming enormous debt burdens. But the number of house market

transactions has dropped from 2.1m in 1988 to about 1m a year at present, while the average house price has dropped by 11 per cent in two years (and by 20 per cent in four years in the south-east).

For first-time buyers, the improvement in affordability has been remarkable (so long as they can find a job). In 1988, the average first-timer's mortgage interest payments was 26 per cent of income; now, the proportion is 14 per cent.

Of course, youngsters have to be confident that there will not be another U-turn in policy to propel interest rates smartly up again. But it seems they now have so much buying power that they can, in many cases, afford to buy decent houses, leapfrogging their counterparts of five years ago who, burdened by £10,000 or more of negative equity, are stuck indefinitely in bottom-rung-of-the-ladder homes.

This is the nub of the problem. The fall in interest rates has addressed the imbalance in young people's income and expenditure accounts, but it has done nothing for their balance sheets. Personal sector debt has eased by only a few percentage points from a 1991 peak of 115 per cent of disposable income; until 1990, the ratio was consistently close to 60 per cent. The Amex Bank Review has just calculated some implications should this ratio fall back by 1995 - not to 60 per cent but, less ambitiously, to the average of the 1980s (financial deregulation may have led to a long-term increase in debt tolerance).

Either the savings ratio will have to rise from its present 12 per cent or so to more like 18 per cent, implying years of still more terrible depression; or incomes must rise by nearly 50 per cent (or, presumably, some combination of the two). Incidentally, if it is any consolation, Amex Bank finds that Japan's fix over personal indebtedness is almost as bad as the UK.

The danger for Britain's wrinkles is that, having lost much of their investment income, they could forfeit part of the real value of their capital, too. Events in the foreign exchange markets this week have shown once again that weak governments are driven towards inflation. As sterling crashed on Wednesday, the Treasury insisted that the exchange rate was being given "full weight" in its monetary assessment.

Since there is no credible hint of any move to protect the pound with higher interest rates, the implication is that the devaluation is deliberate. Has somebody in the Treasury also calculated that 50 per cent pay inflation in three years (cumulative, not annual) would eliminate the suffocating effect of the huge financial claims by the older generation on the young? Retail price inflation would have to be even higher, because real UK incomes must fall.

Just take a look, if you dare, at the wealth-preserving manifesto of the wopies (well-off older people). Pay (and social security benefits) must be cut to preserve Britain's trade competitiveness at a higher exchange rate than now; the state must take responsibility for £50bn-plus of the mortgage debt of overstretched individuals; and taxes must rise by £20bn. There might be votes for this in Eastbourne but not in East Grinstead, let alone East Kilbride.

There is one last tantalising pot of gold for the oldies. Their stock market investments are jumping in value - and, more importantly, so are those of their pension funds, which have a commitment of nearly 85 per cent to UK and overseas equities.

But the actuaries who value company pension schemes are behaving like spoilsports. The funds are puffed up by higher share ratings, but the dividend income they generate is, if anything, falling. So, on the basis of actuarial valuations, pension funds have failed to keep pace with their pay-linked liabilities during 1992.

Youth, said George Bernard Shaw, is wasted on the young. But the economic curse of young people is that the world is already owned by the previous generation, which is trying to charge rents. Still, they may decide that wealth is wasted on the old.

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MARKETS

London

Helmut, the charge is 'adventurism'

By Peter Martin, Financial Editor

ADVENTURISM - the charge levelled against the Russian central bank this week by President Boris Yeltsin - was also the theme of an attack on the Bundesbank by the German chambers of commerce.

For most European businessmen, Helmut Schlesinger, the Bundesbank president, has been the architect of an intolerably high level of interest rates. For them, the cut in German rates on Thursday came not a moment too soon.

Even the London stock market, less sensitive to the level of German interest rates since sterling's departure from the ERM, rejoiced. It rose to a new intra-day high after the cut, with the FT-SE 100 index passing briefly through 2,900 for the first time.

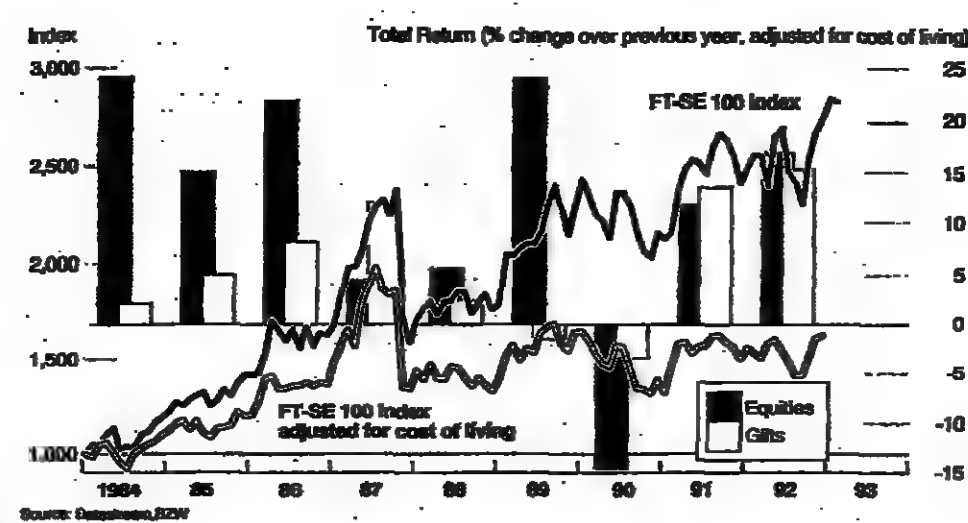
Yet the German chambers of commerce felt impelled to criticise the Bundesbank not for tightness but for excessive laxity. The eventual, essential conquest of inflation was threatened by the cut in rates,

they argued. Prof. Mervyn King, the economics boss at the Bank of England, has argued in the past that merely making a central bank independent does not deliver truly independent monetary policy; you also need a consensus about the importance of monetary stability.

That comment from the German chambers of commerce gives you some idea what such a consensus means - and just how far Britain is away from achieving it.

Indeed, to judge from the behaviour of the UK stock market all this week you would think inflation was a new wonder-drug. On Monday, the market seized on a report in the press that John Major had personally taken control of monetary policy and planned to cut base rates by two more percentage points by the summer.

Even though Downing Street went out of its way to deny this story, the markets decided it was basically correct. Sterling fell sharply. In spite of the threat of higher prices on



imported goods, the FT-SE 100 index rose 1.6 per cent, to close at 2,851.6. Interest-rate sensitive stocks were among the big gainers.

Tuesday was calmer, and the index dropped back slightly. But by Wednesday, with fresh pressure on weaker European currencies and a growing expectation that the Bundesbank would ease rates the next day, the upward advance of equities resumed. Blue chips did particularly well, and the FT-SE index more than made up the previous day's losses, closing at a new high of 2,933.8.

On Thursday, when the German announcement finally came, equities moved up again, then dropped back. They fell further on Friday, with the index closing the week at 2,852.9, for a total rise of 55.7. Volume was high - on Thursday, trading by clients was

over £2bn, its highest since the day sterling left the ERM.

This enthusiasm for equities came against a steady rumble of worrying comment from analysts. One theme was the fact that British companies are paying out a higher proportion of their earnings than at any time since the mid 1980s.

For the market as a whole, dividend cover - the ratio of companies' dividends to after-tax earnings per share - has fallen below 1.8 times in recent weeks. For most of the 1970s and 1980s, it ranged between 2.2 and 3.0.

The figure highlights the extent to which companies have been prepared to keep dividend payouts high despite the impact of the recession on earnings - a fact that will be rammed home when the results season gets under way next Thursday.

The low level of dividend cover is ominous for equities, some analysts argue, because it implies that companies will be keen to rebuild cover as their earnings recover in the next few years.

A recent survey of company finance directors by James Capel showed that they hoped to rebuild cover over time to 2.3 times. To do this, says Capel's Paul Walton, "earnings have got to be growing a little bit faster than dividends for a considerable period of time."

Dividend growth is particularly important to the adequacy of pension funds. Slow dividend growth will lower the likely return from equities relative to bonds, making institutions keener to buy gilts.

Such a trend would be good news for the Treasury and the

Bank of England, faced with the task of selling record amounts of gilts this year. But it would be bad news for equities. Sushil Wadhvani and Mustafa Shah of Goldman Sachs reinforced this theme with a weighty piece of research examining the relative attractions of gilts and equities.

They concluded that equities are likely to outperform gilts by less than in the past; and that pension funds are likely to regard equity investment as "riskier" because of a need for steady income flows to pay the pensions of the growing proportion of retired members.

Equities would still remain the preferred investment, but would form a smaller proportion of assets than in the past, say the authors. This could be a medium-term drag on the performance of the stock market; shares would rise by less than would be warranted by improvements in earnings and interest rates.

Such thinking failed to influence institutional investors this week. Private clients have been bullish for months, according to David Jones, chief executive of the Sharelink dealing service. His figures show that trading by private clients has been high, and biased towards buying, ever since October. "We've only had one or two days in the last few months when we've had a 'normal' ratio of buys to sells," he says.

For private clients, buying is now stronger than ever in the past five years, and it is widely spread. "They're buying everything, right across the market," in Russia, they would probably call that adventurism.

Serious Money

Giving a pep to savers' incomes

By Philip Coggan, Personal Finance Editor

ANNUAL income twenty pounds, annual expenditure nineteen pounds six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.

MR MICAWBER'S words in *David Copperfield* ring especially true for savers at the moment, with returns falling and spending still rising. How do they get a decent income now base rates have dropped to 6 per cent?

We devote two pages to the issue this week (see opposite); meanwhile, three well-known financial companies have launched similar products which attempt to meet this income need. All combine shares and bonds within a personal equity plan to offer a decent, tax-free income.

The Cazenove Bond & Utility fund yields 7 per cent by investing in utility companies such as water, electricity and gas, and in bonds. That yield allows for the annual charge (a very reasonable 0.5 per cent).

The initial charge of 0.2 per cent is extremely low by industry standards and means the bid-offer spread on the trust will be around 2 per cent. But those who want to hold the fund in a personal equity plan must pay a further initial charge of 2.5%.

What does this mean in real money? On an investment of £5,000, the annual tax-free income will be £420. The tax saving for a basic-rate payer will be £105, and £188 for the top-rate payer. So, the tax benefit will outweigh the initial charge in the first year and, for top-rate payers, the bid-offer spread as well.

The Cazenove fund pays dividends twice a year. The two other new products, although higher-charging, offer a monthly income facility. This will undoubtedly increase their appeal to investors although

the amount paid each month will be small in early years. Fidelity's tax-free income plan is based on a new unit trust called the High Income fund. This will invest in high-yielding equities and fixed-interest stocks and will have a yield of 6 per cent. Again, this yield allows for the effect of the annual management charge (a rather more hefty 1.25 per cent).

The initial charge on the Pep is 2 per cent (4 per cent for those who invest in the unit trust alone). This should mean the bid-offer spread for Pep investors is around 3 per cent. As with its other Peps, Fidelity is making withdrawal charges

those made by Fidelity (although M&G imposes no withdrawal charges). There will be no "double charging" - that is, investors do not have to pay the fees of the underlying trusts as well. The minimum investment will be £1,000.

On a £5,000 M&G Pep investment, the annual income would be £300. The tax saving for a basic-rate payer would be £75, and £120 for a top-rate payer. Thus, it would take around four years for a basic-rate payer to earn back the initial charge of £270, and longer if one accounts for the 6 per cent bid-offer spread.

Why do the Fidelity and M&G plans have higher charges than the Cazenove fund? The simple answer is that they are paying commission to intermediaries to sell the fund and have to reclaim the cost from the investor.

Herein lies the paradox. Advisers and intermediaries are supposed to offer "best advice." The Cazenove fund has the highest yield and the lowest charges and is offered by a blue-chip name; it might seem an obvious piece of "best advice" to recommend it for those who need income. But it will probably raise less money than either of the other two.

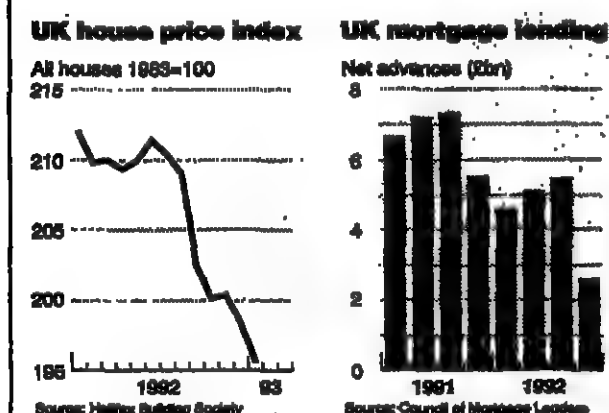
Could there be a good reason for recommending any of the M&G and Fidelity funds ahead of Cazenove? One could argue that the lower the yield, the greater the potential for capital growth. But only up to a point. If two portfolios own exactly the same stocks, the one with the lowest charges will have the highest yield. Then there is the monthly income facility. But would you rather have £26 a month from M&G or £210 every half-year from Cazenove?

It would be wrong to suggest that all advisers are commission-hungry; many work very hard to do their best for their clients. But these three funds will provide a good test case to see if the words "best advice" mean anything at all.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992/93 High	1992/93 Low	
FT-SE 100 Index	2852.9	+55.7	2873.6	2281.0	German rate cut
FT-SE Mid 250 Index	3050.5	+65.7	3050.5	2157.3	UK house rate optimism
BP	267	+21½	304	182	Weak sterling/US buying
BP Ind.	219	+25½	221	123	Analysts visit to French ops.
British Aerospace	276	+23	379	100	Tornado deal
BRF	232	+42	264	130	Benefits of demise of DAF
Grainby	172	+17	227	102	US\$ 11m worth of new orders
Invergordon	206	+19	336	250	White & Mackay bid hopes
Kingfisher	527	-21	568	414	Rights issue worries
Kleinwort Benson	385	+17	385	212	Increased equity volumes
Northern Foods	262	-16	317½	215	Bond issues
Racal Elect.	185	+16½	186	129	New orders
Tedpole Tech.	344	+80	384	73	Analysts visit
Trinity Hidge.	184	+30	186	126	Benefits of demise of DAF
Vodafone	401	+24	434	285	Broken any newsworld

AT A GLANCE



Mixed views on house prices

The Halifax and Nationwide indices yet again gave conflicting information about the direction of UK house prices last month. Halifax, the country's biggest mortgage lender, reported that house prices had fallen by 0.4 per cent in January, while Nationwide, the second-largest building society, reported that prices had risen by 1.2 per cent last month, the biggest monthly rise since May 1991. However, both societies agreed that there had been an increase in the number of potential purchasers requesting mortgages and inquiring about properties for sale. Lending activity in the last quarter of 1992 was very depressed according to the Council of Mortgage Lenders. Net advances totalled £2.6bn, down from £5.5bn the previous quarter. The CML attributed the weak figures to lack of confidence on the part of potential housebuyers after sterling's exit from the exchange rate mechanism in September.

Bank charges to be levied

Save & Prosper/Robert Fleming has announced it will be introducing charges on its current account for those in credit. The move may be the beginning of the end of free banking in the UK. Midland was the first of the big four English banks to introduce it in 1984. From April 1, customers holding the S&P Classic Account with Robert Fleming & Co will be charged £5 when their balances fall below £1,000 on the last business day of the month. No interest will be paid on deposits of less than £2,500 in the Deposit and Premier accounts. The previous threshold had been £1,000.

Balmoral bugs being fixed

Bristol & West says it is solving the processing problems which have occurred with its Balmoral account; those who have yet to receive passbooks should receive them by Tuesday, February 9. The society says that interest will be credited from the day after cheques were received by it. Additional staff have been recruited to cope with the demand. From next week, says Bristol & West, customers sending cheques to open accounts will be sent their pass books and account opening documentation or acknowledgment, by return of post.

Sharelink US shares service

Sharelink is launching an instant dealing service in US shares for UK investors. The service will be open during US market hours (2.30 to 9pm UK time). Minimum commission (on deals under £2,533) is 38p (around £26); on deals between £2,534 and £5,000, the rate is 1.5 per cent; the rate is then 0.75 per cent on the next \$5,000; and 0.1 per cent on additional amounts over \$10,000. For further details, call 021-200-4988.

Pep commission refund offer

Garrison Investment Analysis, a FIMBRA member, is offering to refund to investors all but £25 of the commission it receives on Personal Equity Plans. This includes the M&G and Fidelity plans referred to in the Serious Money columns. Further details can be obtained by calling 0742-500720.

Smaller companies revival

More good news for believers in the small companies revival this week. The Hoare Govett Index (capital gains version) rose 3.4 per cent from 1297.74 to 1342.07 over the week to February 4, and the County Index also climbed 3.4 per cent - from 1012.60 to 1047.76 - over the same period.

Wall Street

Dow breaks through to brave new heights

THE BULLS were firmly in command of Wall Street this week, and many analysts think their charge is far from over.

The Dow Jones Industrial Average finally broke through to an all-time peak on Thursday, topping the record 3,413.21 reached on June 1 last year, when it closed at 3,416.74.

However, the Dow was only playing catch-up with two broader market indices, the Standard & Poor's 500 and Nasdaq Index of smaller stocks, which have been setting records.

The Nasdaq index has risen more than 20 per cent since early October, underlining Wall Street's traditional enthusiasm for small stocks in the early stages of an economic recovery.

The Dow, which tracks 30 of the country's largest companies, has risen by only around 9 per cent since, held back by the large representation in its ranks of cyclical stocks. Their performance tends to track the rise and fall of the economy, and the problems facing some of its best-known constituents, notably International Business

Machines and General Motors.

The Dow's move into new territory this week was sparked by good economic news both at home and abroad. The overseas contribution came on Thursday when both the German Bundesbank and the Bank of Japan lowered interest rates, raising hopes of a revival in the flagging global economy.

In the US, a string of statistics bolstered the belief that the economy is headed for much more robust growth.

January retail sales were stronger than expected as the Christmas consumer splurge continued into the New Year. The index of leading economic indicators jumped 1.9 per cent in December, the largest rise since 1983.

Yesterday's employment report for January was reasonably positive, with non-farm jobs rising by 106,000, in line with Wall Street expectations, but not good enough for it to cause appreciable inflationary anxiety in the bond market.

The most positive statistic of the week was the 2.7 per cent jump in US productivity in 1992, the largest gain in 20 years.

IF YOU are feeling disgruntled with the low returns available on building society deposits, what are the options?

Many investors already hold equities, and should be careful not to concentrate all their investments in one area. For investors who are prepared to look beyond the gilts market, there are other options.

The success of permanent interest bearing shares (PIBS) issued by building societies proves that there is a willingness to get to grips with new products, if the potential rewards - 15 per cent interest rates on the first PIBs issues - are sufficiently attractive.

The fact that capital is never repaid, and the building society can pass up interest payments did not dent enthusiasm for the product.

The latest debt instruments issued by building societies - called collared floating-rate notes - have a rather more complex structure, but also offer some clear advantages.

The main attraction of collared floating-rate notes is that they offer a guaranteed minimum return which is higher

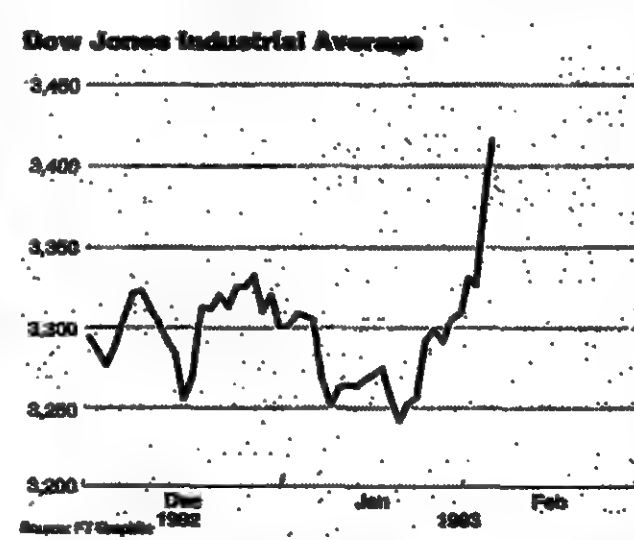
than current money market rates.

Three building societies, the Leeds Permanent, Bradford & Bingley, and Halifax Building Societies, have so far used the structure, issuing notes to the value of £200m. Leeds Permanent, the first building society to make use of the structure, offers investors a minimum interest rate of 7 per cent and a maximum investment of 11 per cent.

In effect, the investor opts to sacrifice any potential interest rate increase above, say, 11 per cent, in return for a guaranteed minimum income of around 7 per cent.

"It is quite a nice move for someone coming out of a building society account, who wants to have their money reasonably close at hand," said Paul Killik, a partner of stockbroker firm Killik & Co.

With money market rates at

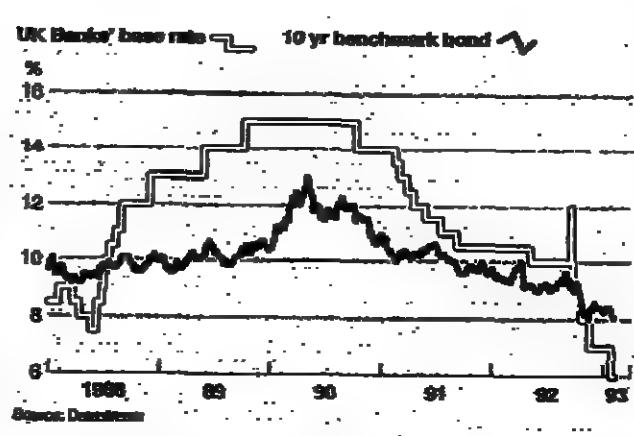


This followed five years in which productivity growth averaged some 0.5 per cent and provides further evidence that the US economy is emerging from recession much leaner and more competitive, which bodes well for profitability.

This new vigour has also shown through in the financial reporting season, which is nearly over. Based on results

The Bottom Line

There is life beyond gilts



around 6 per cent, the prospect of a 7 per cent minimum interest rate, or floor, appears rather attractive. In theory, floating-rate notes should hold their value better than fixed-rate bonds. Because the interest rate is set in line with prevailing money-market rates

by the economic revival and the strengthening dollar.

Furthermore, long bond yields have at last started moving strongly downwards. This week yields rose a little in response to the economic news, but this was offset by an announcement from the federal government that it will cut the volume of new 30-year bonds it sells next week, and is weighing a more permanent reduction in long-bond sales.

The stock market's rally may take a pause now, but many analysts believe the extremely heavy volume of the past week, coupled with the movement by investors into big cyclical stocks, shows an underlying momentum that could carry the Dow 200 or more points higher over the next few months.

A substantial change in the interest rate cycle to tighter money could choke the rally, but this still seems a long way off, and for now the US markets are enjoying a benign world of low interest rates, low inflation and healthy economic growth.

That said, there are still plenty of companies facing huge problems, and none more

so than General Motors, which is struggling to return its long-making north American operations to the black.

This week it suffered a further spate of bad news, including a ruling by an Atlanta court that it had to pay \$105m in accident damages because of the design of a controversial truck. GM is appealing, but the case could lead to even heavier financial liabilities for the company.

Standard & Poor's, a leading credit information agency, also downgraded GM's debt rating, while giving a boost to that of its once-ailing Detroit rival Chrysler. However, even GM's bad news had a positive side. S&P said the company's new top management would return GM's north American operations at least to break-even and said further downgrades were "unlikely" over the next few years.

Martin Dickson

Monday	3332.15	+ 22.10
Tuesday	3328.07	- 4.08
Wednesday	3373.79	+ 45.72
Thursday	3416.74	+ 42.95

commission of 240 on the first £10,000.

Richard Booth, a director of Salomon Brothers who worked on the structure, believes that the next step is for building societies or banks themselves to offer deposit accounts with minimum and maximum interest rate levels, but with the principal guaranteed. An interesting option for retail investors but one that is still some way off.

Another new structure is the so-called reverse floating-rate note. Although not designed for retail investors, some brokers have been looking at the product as a potentially interesting investment. However, the structure is extremely risky.

Essentially, it is a bet that interest rates will fall, since the amount of interest paid increases as the benchmark interest rate falls. However, should interest rates move in the wrong direction, not only will the return on the notes decline swiftly, but the price of the notes is likely to collapse.

The minimum investment for collared floating-rate notes so far has been £1,000 or £10,000, but these issues are targeted at institutional investors as well as retail investors. The notes can be purchased through any reasonably sized stockbroker. Killik charges

Tracy Corrigan

FINANCE AND THE FAMILY

Investment Trusts

F&C: achievement with a touch of adventure

There is a reassuring solidity about the Foreign and Colonial investment trust. It is both the largest trust — with gross assets of £1,405m — and the oldest.

Its name conjures up its Victorian origins. Founded in 1888, it was designed to offer investors a better return than that available on gilts (then yielding 3 per cent). The original portfolio contained such exotica as Danubian bonds and Egyptian railway loans.

Michael Hart, its joint manager, joined Foreign and Colonial in 1953 and has been running the trust since 1969. Along the way, he passed his company secretary examinations and studied at night school to get a degree from the London School of Economics.

The trust has an excellent long-term record — in terms of net asset performance, it was second in the international general sector over the 10 years to end-1992, according to the Association of Investment Trust Companies.

Someone who invested £1,000 in 1945, and then re-invested all the dividends, would now have more than £635,000; the same sum invested in a building society would have grown to just under £14,000.

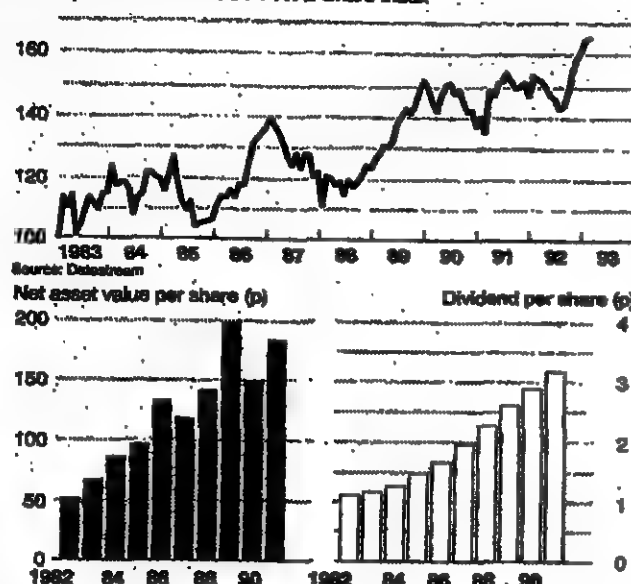
It all sounds respectable and solid but Foreign and Colonial actually does some quite risky things. It speculates in currencies — at the end of 1992, for example, 40 per cent of its assets were in the UK stock market but only 31 per cent were in sterling.

The trust is prepared to "gear up" by borrowing to invest in shares, as witnessed by its £110m debenture issue in November 1988. It is also willing to venture into unusual areas, being one of the first British investors to buy Japanese stocks — in 1961 — and moving into Brazil early in the 1970s.

Foreign and Colonial also tries to take a contrarian approach and buys into markets when they are unfashionable. This approach does not always work — the trust was too optimistic

Foreign & Colonial

Share price relative to the FT-All-Share Index



Net asset value per share (p)

Dividend per share (p)

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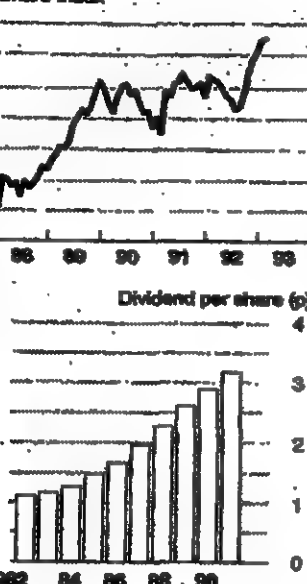
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key to its success; and although Hart, who is 58, must retire some day, it is hard to see any reason why the trust should slip from its previous high standards.

■ **Key facts.** The trust had gross assets of £1,405m and net assets of £1,228m as of February 3. At the close of business that day, the net asset value per share was 237p and the shares were trading at 219p, a discount of 7.7 per cent. The dividend yield was 2 per cent and the annual management fee is 0.3 per cent.

■ **Board.** The trust has a large and diverse board. Apart from Hart, Elstob, Barker, Oliver Dawson and James Ogilvy, all from the management group, there is also Sir Timothy Bevan (a former Barclays chairman); Sir John Egan, the chief executive of BAA; Haruko Fukuda, a director of Nikko Europe; Lord Lennor, a former ambassador to Spain; and Lord Rockley, vice-chairman of Kleinwort Benson. The chairman of the trust is John Slater, also chairman of Berford International.

■ **Savings scheme and PEP details.**

The minimum investment in the savings scheme is £25 a month. The only charges are brokers' commission of 0.2 per cent and government stamp duty of 0.5 per cent.

Because Foreign & Colonial has more than 50 per cent of its assets outside the European Community, it does not qualify for the full 25,000 annual PEP allowance. Instead, you can invest £1,500 into the main trust and top up with one of the other trusts run by the group.

On a lump sum PEP, there is an initial charge of £50 plus VAT (55 plus VAT a month for regular savings); there is also an annual administration charge of £5 plus VAT a month. There is a top-up charge of £25 plus VAT and dealing charges within the PEP are 0.2 per cent. The minimum lump sum PEP investment is £2,000, or £100 a month.

Philip Coggan

Where there's a will...

...there's a way to appoint executors, says Scheherazade Daneshkhu

APPOINTING a friend as executor to your will might mean one friend less. So, considerate people often choose to give this onerous responsibility to a bank or solicitor. But they would be making a mistake according to *Which?*, the Consumer's Association's monthly magazine.

Simon Hinde, the editor, says: "Banks and solicitors can take years to administer a will and charge enormous sums for the privilege. Overcharging and incompetence can result in years of wrangling and cost thousands of pounds."

Which? quotes one case where the Midland bank misread a will and paid almost £50,000 too much in inheritance tax. A beneficiary spotted the mistake, it took two years to wind up the estate and the bank charged £11,000. One solicitor charged almost

£5,000 and took nearly five years to deal with a £120,000 will. He also retained a further £4,573 against potential charges.

In another case, Barclays bank charged more than £5,000 to close six bank accounts, wind up a pension and distribute the money among three people. It took seven months to do the work.

Which? estimates total bank charges for administering a simple will as: Barclays £6,072, Lloyds £5,776, Midland £4,629 and National Westminster £6,497. It advises people to appoint a professional as executor only as a last resort.

Anyone making a will has to appoint an executor to administer it after their death. The work involves paying taxes and debts, selling property, and ensuring that the beneficiaries receive their entitlements.

It is common to appoint a spouse or trusted relative and it is often a good idea for two people to share the responsibility, particularly if one is a beneficiary. Lay executors can then appoint professionals to carry out the work and will be able to exert more control over them.

Before appointing a friend or relative, their approval should be sought because there is little that beneficiaries can do if a lay executor does a bad job. They can be taken to court but negligence may be difficult to prove, quite apart from the expense.

People who use the will-writing service of a bank will find that a condition of the service is that the bank be made executor. But if you have to appoint a professional, *Which?* advises people to avoid banks in favour of a good solicitor.

The professional's charges

should be established and there should be a clause in the will to arrange payment of these.

If you have grounds for complaint against a bank as executor, you should write to the Banking Ombudsman, Citadel House, 5-10 Petter Lane, London EC4A 1ER.

If your cause for grievance is a solicitor, write to the Solicitors' Complaints Bureau, Portland House, Stag Place, London SW1E 5SL. If you are dissatisfied with the outcome, you can take the matter further to the Legal Services Ombudsman, 22 Oxford Court, Oxford Street, Manchester M2 5WQ.

Anyone who has made a will should make sure that it is kept up to date. Minel, the market research group, found that one in six is out of date, often because of remarriage or having children.

Unfortunately, most sensible people keep their money in the Building Society.

INVESTMENT OF £1,000 IN DECEMBER 1945		
	Foreign & Colonial Investment Trust Plc	Building Society "Highest Available Rate"
1945	£1,000	£1,000
1970	£38,269	£2,369
1985	£191,676	£2,741
1992	£635,002	£13,791

This table may come as a shock for building society account holders. Especially now, with the fall in interest rates. To help protect your future, you can place some of your savings in Foreign & Colonial's range of investment trusts through our Private Investor Plan.

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FINANCE AND THE FAMILY

Diary of a Private Investor

Wanted: smaller firms' exchange

Kevin Goldstein-Jackson on the new SEATS system for share trading

FOR SOME years, I have complained about the difficulties of trading in the shares of some small companies. I found it was either impossible to buy any of their shares immediately, or that shares could be acquired only in small amounts of perhaps 500 at a time.

This made dealing costs, based on a minimum commission charge per deal, rather expensive. To sell the shares might also mean waiting some considerable time for a buyer to appear, or having to let them go in small parcels.

In a *Weekend FT* article last year, I welcomed the stock exchange's introduction of a Bulletin Board service with details of around 120 UK-listed and USM small companies. Brokers were able to use its screen pages to display details of their clients' requirements.

In November, the exchange replaced Bulletin Board with something even better: SEATS (the Stock Exchange Alternative Trading Service). Sadly, this has not received all the publicity it deserves. While Bulletin Board improved dealings in the shares of companies included



companies, enclosing a brief research report on the company in which the investor has a holding and inviting him to request similar reports on a further 14.

DB&K's Robin Boyle explains in his letter that his firm has made a particular point of researching the SEATS market. He says he is "worried about the way the larger firms are working more and more for the big institutions" and, in his opinion, "ignoring the needs of the private investor."

Boyle claims that "a number of the large financial concerns

have stopped being market-makers to a selection of interesting smaller companies, simply because they can no longer see their way to making a suitably large profit from working in that particular line of business."

He continues: "Smaller companies are the life blood of the British economy. It is unfortunate that the larger financial institutions are simply walking away from their responsibility, leaving the crucial task of research and dealing to smaller firms such as ourselves."

The 15 companies mentioned by DB&K include Fortnum &

Mason (the up-market London department store); John Swann & Sons (a Scottish livestock auctioneer); British & American Film Holdings (an investment company); and Tovey & Co (a maker of badges and other insignia, and uniforms).

I requested all the available reports written by Mark Wheeler, the firm's smaller companies research analyst, and found them very interesting although I am not seeking to increase my exposure to SEATS companies just now as I already have direct, or personal pension scheme, holdings in three of them. But anyone wishing to receive copies of Wheeler's reports, and details of the firm's broking services, can write to Boyle at Gun House, 1/4 Artillery Passage, London E1 7LJ.

In my view, there should be a rival to the stock exchange specialising in smaller companies. After all, in Canada (with a smaller population than the UK) there is a main stock exchange plus the Vancouver exchange specialising in smaller issues.

In the US, the American Stock Exchange enjoys enormous success trading largely in shares of small to medium

size concerns, while the New York Stock Exchange concentrates mainly on the larger companies. Why should the UK Stock Exchange enjoy a monopoly of trading - especially as the traumas of the coming Taurus system are likely to make a non-Taurus-based stock market even more appealing to the private investor and to smaller companies?

In the absence of such a second exchange, though, SEATS is the next best thing. I have long believed that more money can be made over the long term by investing in small companies than in giant corporations. As recent events have shown, yet again, it is easier for a small company to increase its profits by, say, 25-50 per cent in a year than it is for a company the size of IBM.

It should always be remembered, however, that not all SEATS companies have shares worth buying: their future prospects may be dismal. And even well-run SEATS companies with good prospects can sometimes find their shares subject to sharp variations in price. So, the private investor has to be particularly careful when spending his money.

Fimbria loophole

Barbara Ellis on investor protection fears

A LOOPHOLE in investor protection is affecting investors who have dealt with members of Fimbria - the Financial Intermediaries, Managers and Brokers Regulatory Association - since the Financial Services Act came into force in 1986.

Some are finding that although the investments they bought were long term, the protection offered by Fimbria was not. In many cases protection ended when the firm left Fimbria, or, at most, 18 months after its departure.

The result is that an investor with a complaint against a former Fimbria member may have only the costly option of suing for redress. Fimbria says it cannot compel former members to submit to the free Consumer Arbitration Scheme

even if they have since become appointed representatives of another Fimbria member. If the former Fimbria member becomes a tied agent of an insurance or unit trust company, the regulator Lauto, the Life Assurance and Unit Trust Regulatory Organisation, has no responsibility for dealing with complaints about business conducted under Fimbria banner.

Investors have no recourse to the Investors Compensation Scheme, which only handles claims against firms declared insolvent officially. The regulatory gap appears primarily to have snared investors who bought home income plans from a number of Fimbria members in the late 1980s. The plans were packaged investments combining a mortgage and an equity-linked bond, sold as capable of simultaneously financing the loan and providing an income.

Real life departed from the sales scripts when house prices fell against a background of rising interest rates. By the time problems became acute and investors complained - often that risk warnings had been inadequate - Fimbria said it was too late.

This message was repeatedly conveyed to about 20 investors who had dealt with Findley Insurance Brokers. John Kirby, Fimbria complaints manager, wrote to one couple last July: "...investors (in dispute with Findley) do not have a right to refer their dispute to the Fimbria Consumer Arbitration Scheme as an alternative to court action, because Findley ceased to be a member of Fimbria on May 1 1991."

The firm's membership of Fimbria ceased prior to the amendment in December 1991 of the Consumer Arbitration Scheme rules which enabled the referral of disputes for up to twelve months post-membership. You will understand that the association is not empowered to retrospectively impose obligations on firms which have ceased to be members in their own right.

Sympathising with the investors' problem, Kirby said they must rely on their "normal legal rights" in order to establish a claim.

Writing to another Findley client, in October, to reject a June request for arbitration, Iris Baker, of the Fimbria complaints department, explained that Fimbria's rules were binding in contract only, so that when Findley resigned on May 1, 1991 it immediately ceased to have any obligation under the Arbitration Scheme in respect of claims made after that date.

"As a matter of contract law, it is not open to Fimbria to impose on a unilateral basis, a new obligation or a new duty on a former member after mutual contractual duties have become non-existent by resignation."

Baker wrote: "It follows that the amended 1991 Arbitration Scheme rules against Findley, a non-member, but could only operate prospectively in respect of actual and future members as at December 1, 1991."

Although Fimbria could "invite co-operation" from Findley, Baker said that it could not, as a matter of law, compel submission to arbitration.

"You will no doubt wish to consider the merits of pursuing the claim through the courts," she concluded.

The investors were highly dissatisfied, feeling that Fimbria could have taken a much tougher line with Findley: the firm had effectively remained under its regulation, having joined the Fimbria-member network Countrywide Independent Advisers as an appointed representative.

Last November, Countrywide's compliance officer Andrew Ruff informed an accountant representing some of the investors that the network had "advised" Findley to

submit to arbitration. But it was not until last week that he was able to confirm Findley's agreement.

"Our role has been to act as an honest broker, to see if we can't assist with a sensible solution", said Countrywide managing director Peter Tamm, who joined the firm in October. He said the network had not been aware of any disputes with investors when Findley became an appointed agent in 1990. These only came to light in March 1992.

Tamm said the network prided itself on vetting both agents and products - it had never approved the sale of home income plans. He conceded some surprise at Fimbria's assertion that it could only "invite" co-operation.

"I would have thought they did have some sort of sanction, especially since the membership of Fimbria is not entirely severed - it is at one remove," Tamm said. "Nevertheless, Fimbria makes its own rules so I guess they know."

At Lauto, Colin Hawtin said the organisation would want to be aware of any complaints against Fimbria members becoming tied agents in case of any impact on their fit and proper status.

He added: "There is a weakness there: as an investor you bought from an independent financial adviser when the Financial Services Act existed, something is wrong but he is a tied agent and you don't have any recourse. You are on your own and there is nothing Lauto can do about it."

However, Hawtin said information about complaints passed among regulators would lead member companies to keep former independent tied agents under special scrutiny. Meanwhile, the committee setting up the Personal Investment Authority is looking at ways of ending the 12-month limitation on responsibility for Fimbria quitters.

BES still grows

The Business Expansion Scheme continues to expand in spite of its planned abolition at the year's end.

No schemes with a non-recourse loan facility, which allows exit after six months, are available. And many intermediaries are having difficulty investing in these schemes before they are fully subscribed - funds are allocated on a first-come first-served basis, so many cheques sent to sponsors are being returned. There is also a risk that novice investors could be rushed into an inferior deal.

The easiest way around this is to use one of the larger intermediaries. Biggest in the field are Allenbridge Group and BES Investment, both based in London.

The three schemes launched this week are ingenious. All invest in residential property: Peppa is a unique investment which combines a personal equity plan with a BES. It involves a listing on the Luxembourg stock exchange.

The underlying investment is split into two. Eighty per cent goes into a Luxembourg-listed BES company which will purchase a portfolio of residential rental properties from Wimpey homes, the house-building group. Wimpey has undertaken to make up any shortfall, compared with the purchase price, after five years. There is no set limit on the profit potential for the BES companies. However, there is no independent bank guarantee.

The BES element attracts tax relief for the investor in the standard way so that a £1,000 investment will cost only £750 for a basic rate taxpayer and £800 for a top rate payer.

The remaining 20 per cent of the portfolio will go into a Pep managed by Abtrust which will invest in a portfolio of blue chip shares and gilts. Investors can use their full 25,000 annual Pep allowance, if they wish, since the plan qualifies for both single company and general Pep status.

At the end of the five years, the Luxembourg listing will provide investors with a ready-made exit route from the BES; the BES shares can also be transferred into the Pep.

Minimum investment is £1,000 and maximum is £45,000. Cavendish Gleeson Guaranteed, sponsored by Smith & Williamson, has a buy-back guarantee after five years from the MJ Gleeson Group, which has been underwritten by Lloyds Bank. After five years it will pay 115p for every 21 share bought now. There is no early exit option, and total capacity is only £5m.

Cavendish Growth, also sponsored by Smith & Williamson, will buy properties from the Household Mortgage Corporation. HMC has covenanted to buy back the properties at the end of the five-year BES qualification period at £1.18 for every 21 share. Total capacity is £15m. Minimum investment in both schemes is £1,000.

John Authors

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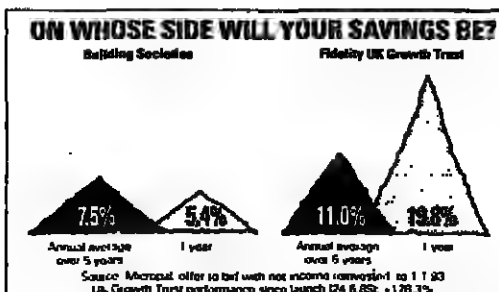
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LAST WEEK, we noted the tendency of directors to sell shares in spite of the rising market. The week, the situation is little changed. While the monetary value of some transactions can be high, in many cases directors still retain sizeable holdings. Such sales should not be viewed as an indication of lack of confidence in a company.

James Hartnett, director of Eurotherm, has sold 120,000 shares at 50p. His residual holding remains in excess of 8 per cent of ordinary shares. Adrian Wallis, chief executive of Visteo Group, sold more than 600,000 shares, raising in excess of £187,000. He retains almost 1.5 per cent of the company. Shares in Gresham Telecomputing have outperformed the market over the past 12 months. Michael Whitaker, a non-executive director, sold 100,000 shares at 50p, retaining a big stake in the company.

Three board members at Stylo, including the chairman and managing director, bought 151,000 limited voting shares at 90.25p, following the sale of Control Securities' stake. At Alexon Group, finance director David Cohen increased his stake to 1m shares following his purchase at 66p. He also bought 150,000 cumulative convertible redeemable preference shares at 60p.

Angus MacDonald
Directors Ltd

Directors' transactions

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Allied Textiles	Text	4,000	17	1
Barbour Index	BuSe	12,500	34	1
Boxmore Ind	Pack	8,000	13	1
Bradford Prop Trust	Prop	10,000	16	1
Compass Group	Hol	75,000	41	1
Eurotherm Int	Elcs	120,000	610	1
Frogmore Estates	Prop	35,257	107	1
Gresham Telecomput	Elcs	100,000	58	1
Inchcape	BuSe	3,850	21	1
London Scot Bank	ChF	300,000	20	2
Marke & Spencer	Star	6,113	20	1
Multimedia Elect	Elcs	10,000	15	1
Perpetual	ChF	4,250	11	1
Prudential	InsL	218,950	651	2
Rink HovisMacDougall	FdMa	28,108	81	1
RMC	BuSe	4,000	22	1
Salvesen (Ch)	BuSe	20,000	73	1
Tesco	FdRe	12,000	31	1
Ulster TV	Med	5,000	15	1
Visteo	Elcs	650,000	167	1
Watson & Philp	FdRe	10,000	35	1
PURCHASES				
Acetate & Hutchison	FdMa	10,000	18	1
Alexon Grp Inc CCRP	Star	307,383	194	2
Anglo Irish Banks	Bank	50,000	17	1
Drayton/Recovery Tel	InTr	14,000	10	1
Group Devel Cap	InTr	70,000	22	1
Kwik Save Group	FdRe	10,000	80	1
Microgen	Pack	15,000	32	1
Omni Int	ChF	38,153	12	1
Scottish Nat Tr Zer	InTr	20,000	42	1
Smith New Court	ChF	25,000	31	1
Stylo (Lid vlg)	Star	151,500	137	3
Witan Inv Warrants	InTr	10,000	11	1
Young (H)	Misc	86,000	35	3

Value expressed in 000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (1) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 25-29 January 1993.

Source: Directors Ltd, Edinburgh

MINDING YOUR OWN BUSINESS

Trimming fat for the food industry

VISITORS TO Verner Wheelock's office come face to face with a large, grumpy-looking gorilla staring from a poster. "Try telling him fruit 'n' veg are for wimps," the legend says.

Since 1990, Wheelock has run a small company which earns most of its income advising big food suppliers how to dish up healthier nourishment. In 1990, he left Bradford University - where he was a lecturer in the department of science and society and head of its food policy research unit - to make his living in the private sector.

In particular, Wheelock is grappling with the government's recently-published targets for cutting the fat content of the sticky bun and pork pie diet of the average Briton. This would lower the UK's chronic incidence of heart disease.

"Unless there is a positive drive on the part of the food industry, I don't think we'll get there," he says. "Food companies have had a fairly rigid viewpoint that dietary recommendations don't really have any impact on them, that it's none of their business, and that it's up to individuals to choose. But their mental block is gradually being eroded."

Wheelock, 54, does not spend all his time worrying about fat. "I see my function as operating somewhere between technology and science on the one hand, and marketing and public relations on the other, with food safety and healthy eating as special interests."

"I'm basically in the information business," he says. "I understand nutrition issues but I also understand how the food industry works. That is a difference to most academics, who do not understand the pressures and constraints on industry."

He says his role is to provide "input, some factual information, interpretation and insight." He says food companies often are too insular and too short of staff to monitor legislation and trends.

Verner Wheelock Associates was set up in 1990. It has a

yearly turnover of £140,000, with £100,000 coming from fees. A handful of companies, including McDonald's, the Danish Bacon and Meat Council and Marlow Foods, an ICI subsidiary, pay fixed retainers. Training seminars on food hygiene bring in £25,000, and conferences on food safety and legislation £10,000. Wheelock publishes a ten-issues-a-year magazine, *Food Policy Update*, which attracts a further £10,000. His three-room premises in Bradford cost just £5,000 a year to rent.

When he set up his business, Wheelock chose to form a co-partnership with a well-established group, Moy Park, a Northern Ireland food maker.

Nick Garnett on a man who makes his living selling food for thought

Moy Park injected more than half of the £20,000 start-up capital, retains a majority interest in the company, and has two people on Wheelock Associates' board. Wheelock says this relationship has provided invaluable aid in managing day-to-day finances. Moy Park does not interfere with its work, and all reports Wheelock prepares for other companies remain confidential.

He had fancied running his own business for years and took the chance offered by the university's early retirement package to realise the ambition. He concludes that the food scares of the late 1980s - eggs, listeria, a few outbreaks of botulism - were a "bonus" for his business. They pushed the government into introducing the Food Safety Act in 1991; this included many proposals made in the mid-1980s but shelved by ministers. "Food wasn't a political issue then."

A white paper on the health of England (there are separate ones for other parts of the UK) calls for reductions in total fat in the average diet by 12 per

cent, and by 35 per cent for saturated fat. The government wants to cut the death rate from heart disease and related illnesses in people under 60 by 40 per cent by the end of the century.

Wheelock says some companies are responding. He lists Marks & Spencer, Tesco, the supermarket chain. A recent survey said the basic McDonald's burger had the least fat of burgers tested. "There used to be 4.5 per cent lard in McDonald's buns but now it is 3 per cent vegetable oil."

The wider issue of health and the food industry is Wheelock's most fruitful area. Cases of food poisoning rose through the 1980s from 10,000 to 30,000 and, in spite of the furore of the late '80s, have jumped by another 50 per cent since 1988. But Wheelock views some worries with scepticism. "One in two deaths are due to diseases of the heart and arteries - yet we worry about listeria and additives. I mean, who has died from additives?"

He believes the thrust of the government's proposals on healthy eating are sound. But he insists that moves towards healthy eating are hindered by the growth of what has been termed Britain's "underclass".

Wheelock says: "It is a big problem for the rest of society. A family's over-riding consideration is often getting enough food to fill bellies. It is often the food part of their budget that is necessarily squeezed. Cheap food that provides bulk is high in fat and sugar."

He is interested in the whole food chain. "There has been a shift in the balance of power away from agriculture and food manufacturing towards retailers and consumers."

Even so, "farmers remain producer rather than consumer orientated. The EC acts as a form of insulation that prevents them from being exposed to the market. In the long run, that will make it worse for them."

At Verner Wheelock Associates, Albert Mill, 10 Hay Street, Bradford, West Yorks BD1 1DQ. Tel. 0274-723 090



Healthier packages: Dr Wheelock with products of some of his clients

How I cut my rates

RATES ARE one of the largest overheads for many small businesses, particularly retailers, yet they are often regarded as untouchable. My recent experience suggests that, with a little determination and the right advice, they can be reduced.

Business rates are determined by two separate elements, neither of which is controlled by the local authority. The first is the rateable value of the property. This is established by the district valuer, an official of the Inland Revenue who has no connection with the local authority. The rateable value supposedly reflects the rent at which the property could have been let on a normal commercial basis at the valuation date, April 1 1988.

The district valuer will take into account many factors. These include the position of the property in relation to other traders; the shape, since a retail unit with a long frontage is regarded as more desirable; and the current rents paid by the property and by nearby premises.

The rates are then calculated by applying the uniform business rate to the rateable value. This is set annually by the government and is 40p to the £1, but the chancellor has proposed a rise to 41.5p from April. At the current rate property with a rateable value of £10,000 would be paying £4,150 in rates.

Rateable values are supposed to be revised every five years but the last revaluation before 1988 was in 1973. Rents in the south of England had outstripped those in the north, while retail rents had risen more quickly than those for industrial properties. When the rateable values for 1988 were published retailers in the south had some unpleasant surprises.

An appeals procedure exists so traders who believe their rateable values have been incorrectly assessed can take their case to an independent tribunal. My experience of this procedure was initially discouraging but ultimately successful.

When the new rateable values were published in 1990, I wrote to the district valuer saying that I considered the value he had established was

excessive because we had recently negotiated a new rent which was considerably lower than the rateable value he had proposed. We received a prompt reply which said:

"On the information presently available to me, I do not consider your proposal to be well founded and I do not intend to alter the rating list."

Some months later, we vacated part of the premises. I wrote again to the valuer explaining this and asked for a reassessment. Again, we received a prompt reply but it contained the same discouraging (and this time extraordinary) statement.

I wrote again explaining that our former storerooms had been occupied by another trader. Was the valuer proposing that we should pay the rates for the new tenant? Or did he intend to collect rates from both of us? Five weeks

Stephen Halliday on how he wrested a reduction from his district valuer

passed, I telephoned the office, and was told that the letter was a standard one, generated by a computer, and was sent to all applicants regardless of the merit of a particular case.

The letter did not mean what it said. What it meant was that my perfectly sensible request was being dealt with and that the rateable value would shortly be reduced.

The official said the letter was a standard one and had been drafted by their legal department. He also told me that my original objection to the rateable values would be receiving further consideration and that I would be hearing from them in due course.

In July 1992, two years after my original objection, I was notified that a valuation tribunal would take place within the month. I was invited to contact the district valuer officer in an attempt to resolve our differences without recourse to the tribunal.

At the same time, I was contacted by a local chartered surveyor. He said he would be putting the case of a number of

local traders and offered to take my case, arguing that a knowledge of valuation principles and local rental agreements would enable him to present a stronger case than I could. If he failed to secure a cut in the rateable value I would not have to pay him. If he succeeded he would invoice me for the equivalent of six months' rates saved. I asked him to act on my behalf.

He based his case on the actual rent that we were paying, backed up with evidence of rents of surrounding properties, and won a reduction. He secured a further significant reduction on a technical point: the availability of toilet facilities within the building which apparently do not bear rates. The combined effect was to reduce the rateable value (and consequently the rates) by more than 20 per cent.

I have this morning received a cheque for nearly £1,500 from my local authority in compensation for rates I have overpaid since April 1 1990, including over £100 in interest.

My affairs had been settled "out of court" but I went to the tribunal anyway out of curiosity. The tribunal consisted of three lay people who had received training in valuation principles but had no connection with the local authority or the valuer. They received evidence in an informal way from each side in turn. Of 64 objections lodged with the district valuer only two appeared before the tribunal. All the others were either withdrawn or settled beforehand.

I was left with two strong impressions. The first was that the valuer was well prepared. He argued his case clearly and produced evidence to support his arguments. The chartered surveyor who acted for the appellant was not so well prepared. It emerged that he was not a local man. He came from a practice in London and was unfamiliar with rents and rates in the small town under discussion. Almost all of the cases which had been settled beforehand had been handled by local firms.

The next revaluation is due to take place on April 1 1993 and will take effect in April 1994. If you feel you have a case for a lower valuation, collect evidence now.

Tenants over-stay

I LET the ground floor and basement of my house as an art gallery. The last tenants occupied these premises on a five year lease which expired on August 23.

By virtue of a court order, this lease was extended from the landlord and tenants Act 1954, sections 24-28 inclusive. The tenants did not vacate the property at the end of the lease but remained in occupation until October 5, when the keys were handed over.

In fact, their builders were there, carrying out repairs and decorations which were the tenants' liability under the lease terms.

Am I entitled to claim rent until October 5, when the premises were handed back, or until the next quarter day, December 24?

You can claim a sum for use and occupation for the period from August 23 to October 5.

Tax on interest

I GET a company pension paid monthly into my bank account and taxed under the PAYE regulations. In addition, I receive gross interest payments from government stocks purchased on the National Savings stock register.

In the past, such interest payments were the subject of a separate assessment payable on January 1.

In recent years, though, the estimated interest for the current tax year has been included in my PAYE coding notice so that I am paying tax, via my pension payments, on such estimated interest before I receive it.

Does the Inland Revenue have the right to exercise this method of securing payment of the tax due, or could I insist on the interest payments being the subject of a separate assessment?

Many (perhaps most) people seem to prefer to have their untaxed interest taken into account in their PAYE coding in order to spread the tax burden evenly over the year.

If you have received a coding notice for 1993-94 (which is unlikely), you should write to the inspector giving notice of objection to the proposed code

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post or email on request.

number, in accordance with regulation 10 (1) of the Income Tax (Employments) Regulations 1978: "If the employee is aggrieved by the inspector's determination, he may give notice of objection to the inspector, stating the grounds of his objection."

If, on the other hand, no coding notice has yet been sent to you for 1993-94, you should simply write to the tax office and tell them that you want all your allowances to be taken into account in your PAYE coding, and that no allowances should be set against your Schedule D (III/IV) assessments for 1993-94 and subsequently.

Incidentally, if you have not already seen one, you might like to ask your tax office for a copy of the free pamphlet 1988 (accredited-income scheme: taxing securities on transfer).

Seller must pay

A GROUP of relations and friends each applied for shares in a privatisation issue using money supplied by one member. What is the capital gains tax position for members of the group when the shares are sold as a single block and the proceeds retained by the selling member?

On the facts outlined, it looks as though the entire CGT liability would fall upon the person who provided the money (with only his or her exempt amount deducted from the total chargeable gain).

Claims by relatives

MY HUSBAND and I are joint tenants of our house and I wish to convert it into a tenancy-in-common ownership. In the event of my husband predeceasing me and not leaving a will, would relatives have a claim on his share of the house and in what proportion?

We have a married daughter. I have brothers and sisters

and nephews. My husband has one sister - who is well provided for - and two nieces. If I die first, would my daughter be able to claim on my husband's property?

We note that you wish to change the ownership of your house from a joint tenancy into tenancy-in-common so that you can leave your share of the house as you wish.

If your husband does not make a will, then your estate would be left in accordance with the rules of intestacy.

These provide that the first £75,000 and any personal possessions would pass to you, and the balance held as to 50 per cent by way of a life interest for you and 50 per cent for your married daughter.

Bequests to reduce IHT

YOU WILL be aware that when spouses contemplate making reciprocal wills, it is advocated that they should first bequest to their offspring as much as they can afford up to the (present) exempt figure of £150,000 in order to keep inheritance tax to a minimum.

If such a bequest is worded "cash, or shares in public companies or other securities" and such shares are transferred to beneficiaries, can you confirm: (a) that the acquisition cost for that person(s) is the probate value of the shares transferred; (b) that no CGT is payable at the time of transfer either by the estate, or the beneficiary, on any appreciation which may have accrued to that date; (c) CGT will be payable by the beneficiary on any future sale by him based on the probate value.

We confirm that the acquisition cost would be the probate value. No capital gains tax is payable upon the death of the transferor.

However, if the assets increase in value in the future, then there will be CGT payable by the beneficiary on the difference between the sales proceeds and the base cost of the shares.

The base cost would comprise the probate value as increased by the indexation allowance, and the capital gain would be reduced by the annual CGT exemption in the normal way.

The last two replies were provided by Barry Stillerman of Stay Hayward.

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ARMABILITY/CONVENIENCE FOR THOSE REMOTE/INSTANT LOCATIONS
Houses/Flats/Hotels/Restaurants/Offices/Showrooms/Stores/Workshops/Caravans/Boats/Trucks/Trailers/Plant/Equipment/Tools/Accessories/Services/Supplies/Repairs/Maintenance/Insurance/Security/Alarm/Systems/Design/Construction/Installation/Commissioning/Training/Support/Consultancy/Engineering/Architecture/Interior/Design/Planning/Marketing/Sales/Promotion/Advertising/Printing/Production/Distribution/Logistics/Transport/Storage/Warehousing/Inventory/Management/Accounting/Finance/Legal/Compliance/Regulatory/Environmental/Social/Responsibility/Corporate/Governance/Strategy/Policy/Procedure/Manual/Systems/Software/Hardware/Network/IT/Security/Backup/Recovery/Disaster/Recovery/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/Records/Management/Plan/Retention/Policy/Disposal/Plan/Archiving/Plan/Backup/Plan/Recovery/Plan/Disaster/Recovery/Plan/Business/Continuity/Plan/Incident/Response/Plan/Communication/Plan/Document/Control/Version/History/Change/Management/Plan/Quality/Management/Plan/Environmental/Management/Plan/Safety/Management/Plan/Health/Management/Plan/Information/Management/Plan/R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FOOD AND DRINK

MATCHMAKER rather than dealmaker may seem an unlikely epithet for the *Financial Times* but it is perhaps the most suitable after the enormous success of "Lunch for a Fiver".

For the 17-year-old son of one reader, Lunch for a Fiver made it possible for him to take his girlfriend to their first lunch in a top restaurant.

Another reader, sadly made redundant the week before the scheme started, minimised his spending by courting prospective employers to a succession of 25 lunches, while finance directors planned the list of 130 participating restaurants to noteborders in an effort to control expenses.

At the other end of the age spectrum, one woman wrote to say that, having drawn her pension that morning, she went to London for a lunch which she had thought beyond her budget for ever.

It also stretched some readers' ingenuity. When senior Home Office employees tried to book a table for 37 at Simpsons-in-the-Strand they were politely refused. Four of them then phoned separately to book three tables of 10 and one of seven which they confirmed by four different fax machines. Then they turned up en masse. During the fortnight, Simpsons served 2,387 25 lunches. The

Sorry, we're all out to lunch

Nicholas Lander considers the lessons learned from the FT's Lunch for a Fiver scheme

average spend was £15.50; it extended the promotion for a third week.

Some spin-offs could not have been foreseen. Alastair Little and Antony Worrall-Thompson, chefs used to media attention, could not believe the response: Little saw queues forming at 11.45am; Worrall-Thompson describing the effect on his business as "mega".

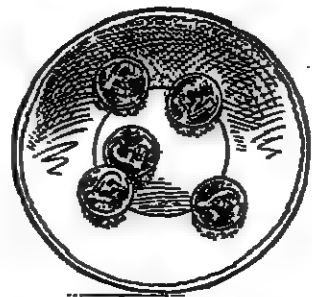
Within the FT there was unprecedented interest in the food and drink page. The newspaper's foreign correspondents sent a stream of messages detailing what they could obtain for the equivalent of 25 in their cities. In New York it was a big pastrami-on-rye sandwich from the Carnegie Deli; in Brussels, a bowl of sweetcorn soup and a sandwich; in Bonn, dry bread, water, hangers and sauerkraut.

Nor was I prepared for the number of enthusiastic calls, letters and faxes from readers. Examples: Mr and Mrs Turner in Dunstable, Somerset, who are now converted back to eating-out at lunchtime after a meal at the King's Head, Irvinghoe;

Mrs Dulton of Hartfield, Sussex, whose £5 meal at Pierre Victoire, Edinburgh, satisfied the appetite of her 6ft 5in student son; and Suzanne L'Estrange, of Wandsworth, London, who booked nine lunches - the last at Mijanou, in Ebury Street, London, which she described as blissful - and sent a detailed review of her gastronomic holiday.

There have also been letters of complaint. The most vociferous and indignant were levelled at the management of Sheekys and Drones for the £1.75 cover charge they imposed on top of the 25 menu. Those restaurants which offered a no-choice menu and segregated those on the 25 menu from other diners generated less goodwill than their more expansive rivals.

But those restaurants who entered into the spirit of the scheme, offering wide choices and generous portions, have won many new customers. This attitude was most neatly summed up by Denis Blais, co-owner of Belgo, in north London, which discounted its 23.95



lunch to 25 and included a glass of Belgian beer. Blais said: "For new customers it is a great introduction. For our regulars, it is a reward."

But things were not one-sided. Most restaurants and chefs asked me if I would like to see a £10 bill from a table of two customers who had eaten the FT menu, ordered tap water - and left. Some customers asked if bread and horseshoe were included in the price. And, sadly, even at 25 a head, there were

the occasional customers who failed to turn up.

Risks are inherent in any promotion, but the success of Lunch for a Fiver has justified the FT's decision not to lay down too many rules.

If you were at all disappointed in your 25 lunch, you still had the right to complain to the restaurant; but please remember that the 130 restaurants that took part were those prepared to make a financial sacrifice and take a culinary risk to join a scheme that had never been put to the test in the UK. Many declined.

For those that took part, Lunch for a Fiver proved a salutary marketing lesson. As Lou Segal, proprietor of Frederick's, a restaurant for 23 years, put it: "When I was working in the menswear clothing business, we had the answer to January and February - we would hold a sale. It has taken the FT to show us that this is what we have to do in the restaurant trade."

At Newtons, in south London, a busy lunchtime used to be 30 cov-

ers. Its owner, Tom Newton, said she did not believe there was a market for lunch in her neighbourhood. However, during the scheme's two weeks she served more than 80 customers a day and last month her turnover was 30 per cent up on January last year.

Rebecca Mascarenhas, of Sonny's, in London SW13, saw her lunchtime trade increase from an average of 30 to 100 covers on the last Friday of the scheme. Extra costs were involved and she had to top up her waiting staff's lunchtime rate but, in the end, Lunch for a Fiver proved financially rewarding.

John Zarmit, an FT reader who managed to eat Lunch for a Fiver every day of the fortnight, says he was surprised that restaurateurs did not capitalise on this goodwill. None of the restaurants he visited offered wine specials, pinned the FT menu to their à la carte menu or offered a business card on the way out to entice him back.

What Lunch for a Fiver did was create an atmosphere in the participating restaurants: a buzz normally

associated with the busiest restaurants, of which there are usually only a handful.

For Patrick Gwynn-Jones, Brian Turner, Stephen and Judy Markwick, restaurateurs of long standing, the fortnight invoked memories of "the good old days"; for waiting staff who had to disappoint callers with the line: "I am sorry we are booked until February", there was a sense of excitement.

For customers that buzz is necessary. Quiet restaurants are just not exciting. One restaurateur rang me at 5pm last Friday afternoon, to tell me: "Lunch for a Fiver has certainly worked with one table of 10. Six of them are still here and their bill is £410."

To those readers who were not able to enjoy Lunch for a Fiver because there was not a participating restaurant nearby, we apologise. For readers in the Exeter area, in south-west England, the St Olaves Court Hotel (tel: 0392-217736) has listed nine restaurants and hotels offering a 25 lunch during February.

No sooner had Lunch for a Fiver been launched than Patrick Valetta was on the fax from his home in the south of France pointing out that there were no restaurants on the list convenient for him. Next year's FT Lunch, hopes to rectify that. It will be bigger, better and, almost certainly, international.

Champagne/Edmund Penning-Rowsell

A bubbly time at last

WHEN we are all belt-tightening, and Lent is just around the corner, February may seem an odd month to recommend champagne. But it is a good time to buy and drink it - and not just the cheap brands promoted by supermarkets.

Overall it is likely to be superior in quality compared with a few years ago. Moreover, sterling devaluation and likely Budget duty rises may increase retail prices of new imports by up to 20 per cent.

Quality should be better for two reasons. The sharp fall in sales since 1989 has resulted in an accumulation of merchants' stocks.

Many firms have five years' stock in their cellars. One leading merchant described his Epernay cellars as almost full to the roof. All but the immature champagnes, dumped on

the market mostly by cash-hungry growers who market their own brands, will have the benefit of increased bottle-age - an important factor for champagne.

Secondly, non-vintage blends, which account for 85 per cent of production, will include wines from the particularly fine and prolific 1989 and 1990 vintages.

The high quality of these years and a still optimistic market partly led to excessive rises in official prices. However, at the last vintage, the price of grapes per kilo fell sharply to FF24 plus a premium of FF2.50 for the top villages and FF1.90 for the bottom-rated communes.

With 1.3 kilos of grapes needed per bottle, and a basic production cost without overheads, depreciation or interest charges of FF16, this means a minimum of FF46 per



bottle for the top level and FF39 at the bottom.

However, the French supermarkets have been selling champagne at FF45 to FF60 a bottle and one big one, LeClerc, at less than FF40 - in all cases including 18.6 per cent VAT. So they have presumably been selling at a heavy loss.

This has rebounded on the big co-ops which market their

own brands and the 4500 growers who do the same. They have been undercut in a slice of the French domestic market that accounted for nearly half French domestic sales. It is mostly these too-young brands from low-level sources that have attracted criticism for their lack of quality.

However, in the 1982 vintage, significant improvements were made. Apprehensive growers sold more grapes to the merchants than for 20 years. The third pressing (the *deuxième taille*) was eliminated. For each 100 litres of pressed juice 160 kilos of grapes were required, instead of 180, thus raising quality.

The maximum yield per ha was reduced to 10,400 kilos, but this year everything above 9,000 kilos was put into a blocked reserve of still wine, denied second fermentation -

or payment - until its probable release in two years' time.

This year the minimum bottle-age allowed before sale is expected to be increased from 12 to 15 months, with 18 on the horizon. This will certainly improve quality, but not affect the *Grandes Marques* which sell their N.V. when 24 to three years old.

Future developments in prices will depend on the state of the market and the size and quality of the next vintage, likely to be large in designated vineyard areas; unless, hit by natural disasters.

Top prices may drop again to FF20 per kilo, and growers may demand a return to modified inter-professional contracts, guaranteeing their sale. But the merchants are nearly all firmly against this. However, Champagne is the best organised wine region in



France, with close collaboration between growers and merchants and with both dedicated to higher quality in order to compete with other sparkling wines. Good champagne can never be cheap but, increasingly, it should be good value as the best wine of celebration.

GIDLEIGH PARK, CHAGFORD, DEVON

If you didn't win the FT's lunch competition prize, treat yourself at one of our special weekends, or just enjoy good food, special service, a beautiful setting, and winter rains.



Egon Ronay Hotel of Year 1990, Chef of Year 1993, Wine Cellar 1983, The Times Hotel Restaurant of the Year 1989, 2 Good Hotel Guide César Awards.

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COLLECTING

Old Masters fail to make an impression

THE RUMOUR last year in the New York art market - fanned assiduously by auction houses and dealers alike - was that Old Masters, traditionally a subdued market in the United States, were about to come into their own. Both Sotheby's and Christie's had successful sales which featured a range of quality paintings - well above the New York auction average - and shoals of Italian dealers, outbidding their London and New York rivals, jostled with each other to snap up bargains.

At The Art Show (showcase of the Art Dealers' Association of America) this time last year, Colnaghi, Rosenberg and Stiebel, Otto Naumann and other dealers exhibited some very serious pictures, while the International Antique Dealers' Show in October re-christened itself the International Fine Art and Antique Dealers' Show. This was intended to stress that there was to be a stronger emphasis on paintings: the fabulous Bellotto exhibited at the show by Bruno Meissner was evidence that the new title was justified fully.

A certain optimism prevailed, therefore, when it came to last month's Old Master sales in New York. Alas, results proved disappointing. At Christie's, 40 per cent of the 176 lots on offer were bought in; and at Sotheby's, where quantity (almost 500 lots) was the order of the day, 38 per cent of the paintings remained on the block.

The high point at Sotheby's was a late-15th century portrait of the Flemish composer Jacob Obrecht. This was catalogued as "School of Bruges" (although the catalogue pointed out it could be by Memling) and its pre-sale estimate was \$400,000-600,000. There was some surprise when the hammer came down at \$2.4m. The purchaser turned out to be the wealthy Kimbell museum in Fort Worth, Texas - an institution which

appears more regularly in the New York salerooms as vendor than purchaser.

In the same Sotheby's sale, a Dutch 17th century still life by Jan Davidz de Heem went well above its estimate of \$350,000-450,000 to reach \$1.5m; and an early-16th century Netherlandish crucifixion (by Jacob van Amsterdam) went for \$807,000 (estimated \$350,000-500,000). These results, however, represented the good news. The bad was that published pictures by Isenbrant, Breughel, van Goyen, Flinck, Gentileschi, Guardi, Veret and others - all with high estimates - failed to sell.

Optimism gives way to disappointment at New York sales - and buyers must now face the deterrent effect of a new 15 per cent premium, reports Homan Potterton

Apart from the usual sprinkling of American museums, the principal vendors at Christie's Old Master sale was a Neapolitan medical doctor, Carlo Corce, who lives in Philadelphia. His collection of about 60 Italian baroque pictures seemed to have been assembled fairly recently, and most were bought on the open market in New York and in London. Although the catalogue covered the collection in a cloak of scholarship, this turned out to be a shroud and quantities of the pictures were bought in. Those that did sell just scraped above the low end of the pre-sale estimate. As there was hardly a really good picture among the group, their rejection by the market was heartening.

Sales of Old Master drawings the same week - traditionally a much stronger market in New York - fared much better. Although neither auction house managed to sell more than 75 per

cent of the total lots on offer, the items left on the block were, with one or two exceptions, very minor.

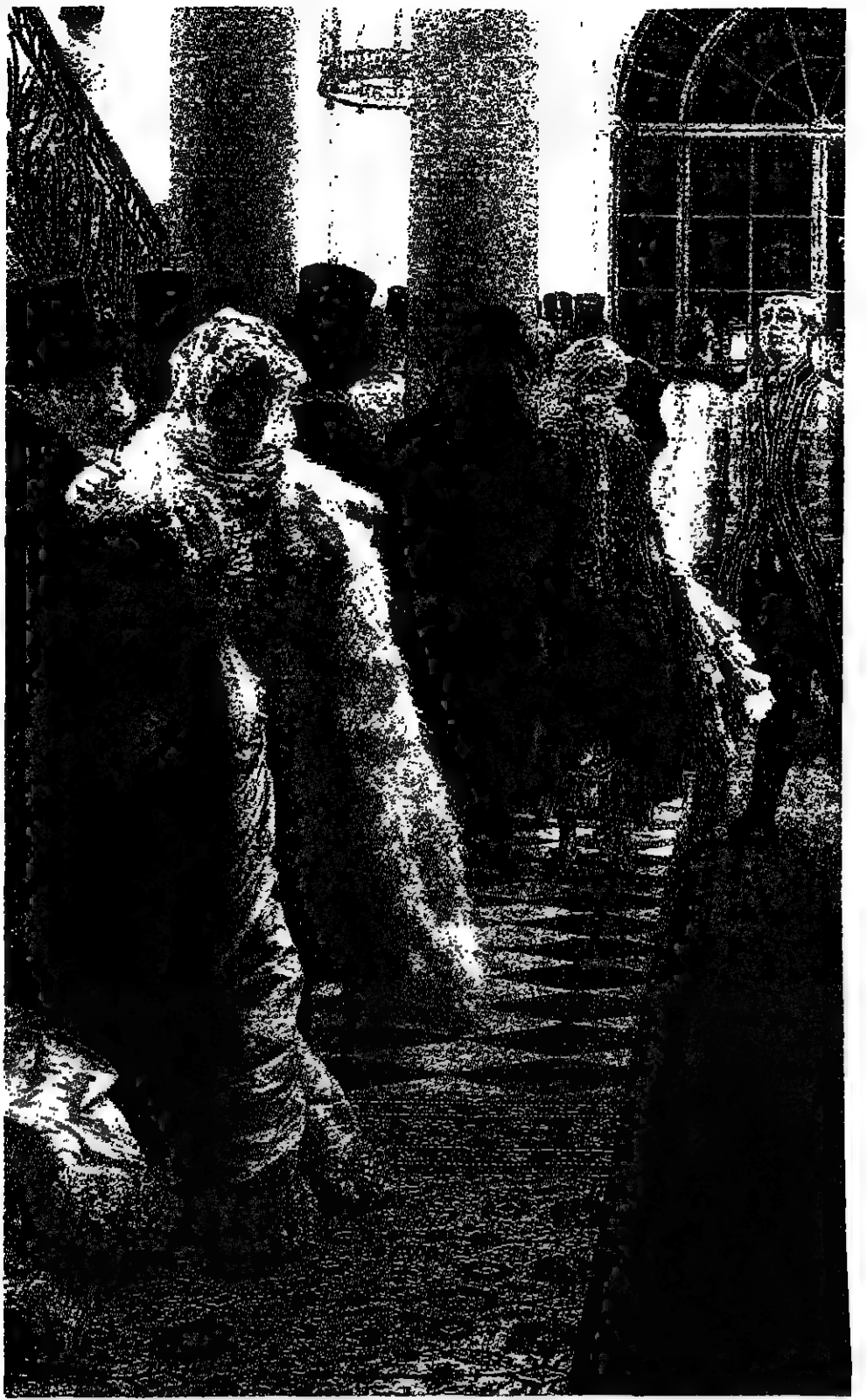
Among the top prices for the day at Sotheby's were three separate sheets by Guercino (which descended from the artist's heirs), while a finished Guardi rendering of the Grand Canal also did well (\$77,000). Christie's had success with Fragonard when a wash and chalk view of a garden with figures went for \$343,500 (estimate \$150,000-200,000). Other French drawings in this sale, notably by Greuze, also brought strong prices, with American private collectors active in the bidding.

Tissot; but an indication of the present state of affairs is that all of the works by these artists included in the sale (three by Bouguereau, two by Tissot) were bought by their vendors in the past decade. Only one, a saucy Tissot of a woman singing in church, went through the saleroom (rather than the trade) when it fetched \$185,000 in 1987: it is now estimated at \$300,000-500,000.

Gerome, whose record is above \$2m, is nowhere to be found in Christie's sale but a painting by his contemporary, Cabanel, of Cleopatra practicing poisoning is the next best thing. It is estimated at \$500,000-700,000. Meanwhile, Sotheby's is auctioning four major works by Tissot from the well-known Toronto collection of Joey and Toby Tannenbaum. All were bought in the 1970s and each carries an estimate of about \$1.5m.

The effect of the new 15 per cent buyer's premium at both Sotheby's and Christie's might not yet have registered with collectors who, latterly, have favoured auctions above dealers when it comes to buying. But it is very unlikely to go unnoticed and is almost certain to act as a deterrent fairly soon. From this point of view, the fifth annual Art Show (February 25-March 1) in New York - more than 60 dealers showing paintings, drawings, prints, sculpture and photography - will be monitored closely.

While the variety of works on offer always appears bewilderingly wide-ranging - this year, a 16th century Italian Madonna and Child at Richard Feigen; Matisse and Warhol elsewhere; and video installations at Carl Solway's booth - the show has an excitement of its own. Joining the fray this time round will be Agnew's with a display of (what else?) Old Masters. There could be no further confirmation that all has changed with the New York art market.



Detail from Tiziano's "Woman of Fashion," from the Tannenbaum collection, to be sold at Sotheby's New York

Sick patient stirs into life

THE BRITISH art market is showing the first tentative signs of recovery. The two specialist fairs of late January - Art 93, the leading, if not the only, national showcase for contemporary art; and the World of Watercolours - both provided some encouragement.

Art 93 had its highest attendance ever, with more than 21,000 people trekking up to Islington, north London, and those dealers that exhibited works that were priced reasonably - £5,000 seemed to be the buying barrier - did well.

Anthony Hepworth of Bath made 48 sales, including works by Roger Hilton and Keith Vaughan, and brought in more than £40,000. Another Bath gallery, Cleveland Bridge, sold "Still Life - Fish" by Mark Gertler for around £20,000.

The highest price paid was the £28,500 at the Anselmy Juda stand in the opening minutes for an Anthony Caro sculpture.

Nicola Hicks, John Bellamy, Ken Howard, Peter Howson, Harry Holland - these were the artists in favour, familiar British names working in figurative or colourfully abstract fields.

The joke sculptures of David Mach also found buyers, including two works (from the limited edition of 11) of his scaled-down version of even larger-than-life sumo wrestlers lifting a container; these sold for £2,500 each.

Helped by the overflow from the Royal Academy's major exhibition of English watercolours, the World of Watercolours attracted 10,000 visitors, a slight increase on 1992, and 850 works were sold, a rise

of 50 on a year ago.

Abbott & Holder disposed of 62 pictures and Christopher Wood had his best fair ever, selling a George Apley self-portrait for around £25,000 to a private English collector.

Although the art market has been optimistic about a revival for more than a year now, it does seem that business has picked up slightly in the past few months.

Furniture, which is practical, never suffered as badly as pictures, which are only decorative; and fields with committed collectors, like ceramics and Old Master drawings, survived quite well.

The weakest area has been 20th century art, as a recent survey by the British Antiques Dealers' Association confirms. This found that two-thirds of the dealers quizzed saw sales fall in 1991-92, but only slightly; their collective turnover was just 240m lower, at £430m.

The statistics seem to confirm that the worst is over. Art consultants Poensgen Sokolow suggest that international auction turnover in paintings, drawings and watercolours fell by 20 per cent last year, to £503m.

This compares well with the 65 per cent decline in turnover between 1990 and 1991. They expect the market will bottom out this year.

Those dealers that got out and started marketing themselves, either by attending more fairs or opening their shops at flexible times, are reaping the benefit.

Spink has taken advantage of the undoubted revival in the American economy, and American art buying, and returned from the winter antiques show in New York this week with six sales in the \$30,000-50,000 range.

Leslie Waddington has planned a hectic schedule of international fairs this year.

and did \$2m worth of business in Miami last month.

Like other top contemporary dealers, who sell mainly to non-British clients, the devaluation of sterling has provided a great boost. After the successful Cork Street weekend in November, most of the dealers in this high street of the art world are planning to stay open on Saturday afternoons.

The main auction houses, Sotheby's and Christie's, are locked in a mid-winter hibernation which seems to get longer

The statistics seem to confirm that the worst is over in the UK art market, says Antony Thorncroft

every year. Sellers have become street-wise and want to commit their works to the major auctions in the big selling months, which means that the really good stuff does not come under the hammer until late March.

Christie's is, however, encouraged by the fact that sales of lots at its South Kensington offshoot, which concentrates on collectables, are running at 90 per cent so far this year, a rise of 5 per cent on 1992, while Sotheby's two 1993 sales - the contents of Robert Maxwell's Headington home, and of marine pictures - both exceeded estimate.

It would have been surprising if the sale of the late tycoon's belongings, and one devoted to a popular collecting market, had failed - but at least they suggested that the increased charge to buyers (another 5 per cent on the hammer price, to 15 per cent) was not going to cause a boycott by bidders.

The revival of American buying could have a quick impact on the UK trade. Americans account for almost half the sales of the top London dealers, and the prices paid at Christie's in New York last weekend for English furniture must have brought a smile to the face of many a dealer in the Fulham Road or the Colnaghi.

For instance, a pair of Wil-

liam and Mary oak bookcases sold for \$385,000 (£258,000) compared with \$90,000 top estimate; while a set of 12 George II mahogany dining chairs, estimated at up to \$10,000, were bought by a New York dealer for \$46,200 (£31,000).

But there are still traps to be avoided if 1993 is to stabilise the market and achieve modest growth. The financial losses at Lloyds have dealt a major blow to many dealers who could bank on some of the Names converting their bonuses into pictures or furniture.

Agnew's hopes that the quality of the work on offer at its 130th watercolour exhibition (which opens on March 8) will make good any absence of regular Names. It includes nine works by Samuel Palmer, the largest group to arrive on the market in 25 years, as well as good watercolours by Turner, Gainsborough and Lear.

The loss of the Names is a minor matter compared with the dangers from European Community legislation.

So far, the British government has warded off the imposition of 5 per cent VAT on works of art coming from non-EC sources into the UK (these account for £700m, or 50 per cent of all art imports, each year); but there is another meeting on the matter in the middle of this month, and this threat to the UK's status as the great unfettered market for buying and selling art is still very potent.

In addition, the government has made no progress in changing the ludicrous situation in which contemporary artists in the UK must pay 17.5 per cent VAT on their works while artists in France pay 5 per cent. Unless this anomaly is corrected, dealers like Leslie Waddington will be tempted to move to Paris.

The market is still weak and convalescent. The auction houses are advising sellers to keep reserves low and dealers will usually offer good discounts to make a sale. But sentiment is improving.

This month, the Original Print Fair, at the Royal Academy from February 25, should confirm that a connoisseur market can ride out the recession. Then, in March, the big and glitzy gathering at the Maastricht fair in Holland should confirm the improvement in the international art world - or cast everyone back into misery.

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PERSPECTIVES

As they say in Europe

Why we are what we eat

"THE QUESTION you were trying to deal with is one of taxonomy," said a colleague the other day. Now, I had thought that taxonomy was a cross between fiscal policy and getting stuffed. An FT editorial might say: "The beleaguered chancellor of the exchequer faces numerous problems of taxonomy." However, readers will know that it is mainly, but not exclusively, the biological science of classification, of getting the categories right.

The comment that led to my discovery was the result of my casual musings of a month ago on the destruction of English traditions. I took as an example the plastic pub with bars named after television series where "villagers" (mostly from London) would eat Indian food assembled in Huddersfield and reheated by synthetic methods. (The taxonomic aspect is to be seen in the overlapping of once entirely separate categories.)

I now find that in Germany the same process is at work: traces of authenticity are being systematically uprooted in

man eat a *mique*, a kind of giant dumpling stuffed with pig's liver. That would be washed down with half a litre of wine. In the evening the fellow would stumble home to a plateful of cassoulet swamped in goose fat and perhaps pick at a bit of *pâté de foie* before sleeping a full eight hours. No wonder the burger chains find this region hard to conquer.

In local supermarkets one cannot find those special, healthy, easy-to-prepare foods that supposedly originate from remote regions of the sub-continent and the jungles of south-east Asia. Indeed, so unenterprising are these companies that even in areas infested by the British you cannot pick up a decent piece of cheddar cheese. In Italy it is no use going to a Tuscan store hoping to find even a Friuli wine. So limited are the clothes shops of Périgord and Arezzo that they offer garments made only in France and Italy.

I scour the newspapers of these countries and fail to find the food and wine pages that make the British papers such a joy. But then it just would not work. Imagine reading in *El Herald de Vizcaya*: "The barbeque *besugo* at Jose's lodge is really excellent, matching as it does the exciting flock wallpaper. My lunch partner washed her peels down with the spicy white Rioja that tops the wine list." The next week only the name of the restaurant would change.

So it seems that the erosion of ancient categories is primarily a northern and Anglo-Saxon phenomenon. In this world of fluid identities it is no wonder that many try to construct new categories into which they can fit and thereby assert themselves; the need for recognition in a world in taxonomic crisis becomes an overriding demand.

Thus President William Clinton, commander-in-chief of the armed forces of the US, is compelled by political pressures to seek an increase in the number of avowed homosexuals to throw into the fray. The Germans keep careful count of this same group in its forces - 13,000 at the last count, which should mean there are enough lesbians in the Luftwaffe to form their own squadron.

In Britain it is now possible to pay £250 to choose the sex of one's child. Even now there is a couple investing such a sum to secure a male heir, unaware that in 20 years the said offspring will undergo a sex change operation in order to become a woman priest in the Church of England. Will the parents sue the child or the child the parents? If ever the world cried out for a taxonomic genius it is now.

James Morgan is economics correspondent of the BBC World Service.

"Britain's lottery is going to be huge. The biggest in the world," predicts Peter Gillooly from his office in Melbourne.

GILLOOLY heads Tattersalls, the world's biggest private operator of public lotteries. "Tatts," as every Australian knows it, has already had an advance team in the UK sniffing out the possibilities of an operator's licence. The second reading of the parliamentary bill setting up the lottery has only increased his interest.

"The only other thing you can be certain of is that every schemer in the world will have plans to crack it. They'll be selling software, syndicated investment plans - everything you can think of."

In an adjacent suburb, barely 10 minutes distant on one of Melbourne's charming trams, Stefan Mandel sits in an equally palatial office. Among other business activities he describes himself as a lottery "investor". A year ago his team won the US\$27m (£17.8m) jackpot in the Virginia State Lottery after spending about US\$8m on tickets. This is not hearsay. America's taxman took Mandel to court (unsuccessfully), hoping to garner 30 per cent of the prize.

"I don't predict at present that we will be investing in the British lottery," says Mandel, somewhat airily. The prizes will not be big enough to justify the risk. However, he does admit that his team has been invited to do a little "consulting" on the forthcoming British operation for parties he is unwilling to name.

On the Australian lottery scene, Gillooly and Mandel have become Punch and Judy, each man a nemesis for the other. Stefan Mandel and his team are now precluded by state law from placing "block" and "syndicate" entries anywhere in Victoria. Tattersalls needed legislation to protect itself from this self-styled numbers genius who fled his native Romania in 1984 on the proceeds (then equivalent to 100 months' average salary) of a national lottery.

Throughout the 1980s Mandel staged betting coups against the various state lotteries in Australia. So far he has documentary proof that his teams have won or shared in 14 first prizes. There is no attempt to manipulate the result, simply to wait for a situation where an accumulating jackpot has reached the size where it will repay the formidable logistical effort of buying tickets to cover every possible combination of numbers.

Although these winnings look like a just reward for formidable hard work, authorities the world over make Mandel and his legions unwelcome. "We believe the game is for the man in the street. What you're really selling is hope. These syndicates destroy the game, set into the pleasure of believing you can win," says Gillooly. His private remarks on the subject of Mandel are unprintable.

"It's an unwritten law of lotteries that you've got to protect the innocent. Since Adam



A head-on clash of the lucky number-crunchers

was a boy these people have come out into the market place with their get-rich-quick schemes. We've made a heap of material available to the authorities in London and they have a real chance to avoid some of the events that can destroy the credibility of a game."

Mandel is still unwilling to explain the exact details of how his syndicate pulled off the Virginia win - since he hopes to repeat it elsewhere in the world - but the broad picture is known. Two coordinators worked with a team of 35 couriers from three rented offices in Norfolk, Virginia. A firm of accountants was hired to oversee the process.

Armed with scores of certified cheques for US\$10,000 the couriers tried to buy - in the three days before the lottery closed - up to 1.4m tickets from over 80 shops so that all 7,069,032 winning combinations were covered. Lottery organisers said that Mandel's team managed 6m combinations.

Like most big-money lotteries in the organised world, in Virginia punters choose combinations of six two-digit numbers. Tattersalls operates Lotto this way, and the British scheme is likely to be similar. So, unlike the raffle at the church fête, there may be not one single winning ticket but several or many.

This led Mandel to deny his

involvement in the days immediately after the big win. "I had to keep quiet," said Mandel, who was subsequently investigated by both the FBI and the American Secret Service as well as the revenue service. "People's lives depended on secrecy. We had winning tickets worth \$27m to the bearer and we were very concerned

As Britain gears up for a national lottery, Keith Wheatley meets two Australians who aim to profit

about being robbed."

Tell this bearded sophisticate from Transylvania that Tattersalls portrays him as some sort of moral robber baron and he becomes highly agitated. "These people have no more business running a lottery than I have to be Pope," he says. "Lotto is voluntary taxation, and a huge industry. Let us not pretend anything else about it."

Squabbling aside, the figures that Gillooly provides for the Tattersalls operation are impressive. It is the fourth biggest provider of funds to the state of Victoria, with A\$30m

passing to the state government last year in taxes and share of profit.

Each week about 52 per cent of the population buy a ticket. Gillooly usually buys one on his way home. "It's primarily a blue-collar audience but widening all the time. Making it easy to buy tickets is the key."

In Australia, Lotto tickets are bought at special electronic terminals installed at newsagents and corner shops - exactly the kind of 8-tilt-late stores becoming so common in Britain. Terminals are linked to the central Tattersalls computer by a dedicated landline. It gives the company a secure data network stretching huge distances, the equivalent of Glasgow to Palermo.

Electronic security is going to be crucial in a European environment full of bright technocrats, believes Gillooly - at least as important as barring syndicate buyers such as Mandel.

"A few years ago we became worried about this aspect," he recalls. "We gave some money and equipment to graduate computer students at the University of Melbourne and asked them to crack our system. They backed into damn near everything else, including the foreign exchange dealings of one of the major banks, and caused trouble that's still crashing around - but they didn't get into Lotto. The key

is to allow no modem access to the main computer and no packet switching, or line sharing."

Asked how he thought Britain's football pools promoters, already twitchy about the coming UK lottery, would fare, Gillooly was downbeat. "We've had Verona running pools against us here for the past 30 years; in fact they've just given up and handed in their licences."

Football pools are a traditional product that will always have a market in a society like Britain, he reckoned. But in terms of ease of play, accessibility and understandability, he

claimed that the Liverpool pools giants were still "in the quill pen era", their cries of mass unemployment if the pools were to suffer competition spurious.

"You'll be amazed when you see how much employment the start of Lotto in Britain creates," said Gillooly. "The terminals have to be built, installed, serviced and I'd expect to see a network of thousands. The printing alone each week is a huge item."

That Britain's lottery is going to be large beyond belief must be the first item that Mandel and Gillooly have agreed on in a decade.

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Gardening/Robin Lane Fox

Not so scary seeds

WHY ARE so many gardeners still scared of sowing seeds? I know they are scared because when I am showing a visitor a plant they put up their defenses as soon as they are told that it grows like a weed from seed. "I like your *Erodium daucoides*," means "Can I have a chunk of it to put in the car boot?" And "Have a seed pod" means "I dare you."

These fears are absurd because many seeds germinate with childish ease. People are scared, wrongly, by the more difficult varieties. And anyone who is gardening abroad ought to bless the explosion of varieties in some of the best seed lists: there is much less of an excuse nowadays for people who complain that they are denied a wide range of plants grown in Britain because they are garden outside the country.

My favourites range from bulbs to border plants through annuals and spreading things for pots. From Scotland to the east Mediterranean, the next fortnight is the moment to place an order among the unknown.

Each year, my mind's eye fastens on one particular image in the darkness of January. This year, once again, it starts with a haze of white cosmos daisies. It is no use saying they are too much of a bother, for they are absurdly easy to raise. I am not fond of the usual purple forms - in my garden, cosmos is white only. Seedsmen now offer two varieties: the older *Purity* and the newer *Sonata*. *Purity* is taller, larger-flowered, much more impressive - and cheaper.

White cosmos does not need to be sown until late March but immediate sowing is needed for two of my other front-runners. If you start seeds of the electric-blue *salvia patens* under heat within the next fortnight, the plants will grow on to be potted individually, planted out late in May, and trusted for their stems of brilliant blue flowers when the rest of the garden starts to look exhausted. Plants of this half-hardy perennial will turn up at 22 each on plant stalls early in summer - one reason why a packet or two of seed from Thompson and Morgan of London Road, Ipswich, are one of the year's better gambles.

The other star turns require you to transfer to the rising star among British seed catalogues, the list from Chiltern Seeds, Bortree Stile, Ulverston, Cumbria LA12. The service includes shopping by credit card, a 24-hour answering service, and a fax on 0229-54549: this amazing list is within anyone's easy reach world-wide.

Experts who are losing their home roots will be astonished at how much more is available now. All of us might like to try a new hybrid from Japan, *Ilum formosan Snow Trumpet*. Usually, this white lily would flower in a scramble if sown early during its first year, but *Snow Trumpet* is much quicker, more vigorous and need not be sown until February. It is pretty reliable and produces big, white, trumpet-shaped flowers from August onwards. Seed is £1.70 a packet, but it germinates easily in heat indoors (and I need hardly remind you what an individual bulb would cost).

Up among the perennials, you have a cheap chance of two of my lesser-known favourites: apricot foxgloves (*Thompson* and *Morgan* are the best) or the tall, thin, late-flowering *verbena*. Much less usual are the white-flowered *gillenia* and the small, sky-blue *adenophora* *tashiroi*. Chiltern sells seeds of both - the easiest method of propagation.

The *adenophora* looks like a small bell flower with stems about 1½ft high, but I decided that it had such charm last summer that I have sown it on in a sunny corner. Few nurseries stock it and most books exaggerate its preference for shade. While the *gillenia* is not cheap as a pot-grown plant, it is even easier to raise from seed. It has delicate, strong colouring and a willingness to grow in semi-shade. If I could take only one white-flowered perennial from late June, this wildflower from North America would be my choice. It is as tough as nails, about 2ft high and, at £1.15 a packet, it ought to give you at least a dozen plants for less than the price of a single one off a stall.

GARDENING

CLASSIC ROSES

by Peter Beales

One source warns us not to sown roses to over 25

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TRAVEL

Gulliver meets an Asian goddess



TAKE one three-year-old girl with the eyelashes of a cow and a neck like a conch shell. Lead her into a darkened room filled with freshly-severed buffalo heads. If she remains calm, you may have a goddess on your hands.

The selection process for the Kumari - a prepubescent girl worshipped in Nepal as a living goddess - is a rigorous affair. Girls must be born into the goldsmith caste and display 32 characteristics including spiralling lines on the soles of the feet; long and well-formed toes; cheeks like a lion; small and well-recessed sexual organs, and a body shaped like a banyan tree.

Any child so anatomically blessed, one might imagine, would automatically win the right to be worshipped. Not at all. The contestants are then put through a trial of bravery, their nerve tested at the dead of night with bloody animal heads and men in demon masks.

The victorious girl, untroubled by such foolish pranks, must then have her horoscope scrutinised. Assuming that her astral inheritance does not clash with that of the king, she is proclaimed a living goddess and taken to a house in Khatmandu to live out her prepubescent years.

I set off one afternoon in search of this diminutive deity. Flaggling down a cycle rickshaw in Thamel, the part of Khatmandu favoured by budget travellers, I asked the boyish cyclist to pedal me to the Kumari's palace.

As we creaked and sloshed through the narrow, medieval streets of old Khatmandu, hot drops of monsoon rain slid from the heavy air. The rickshaw driver struggled to maintain speed and a patch of perspiration spread steadily across his back.

Old Khatmandu is like a large city shoeboxed into a confined space where tumbledown brick buildings, as well as people, seem to jostle for position. Houses, temples and roads have a hunched, bundled, slightly distorted appearance, as though reflected in the back of a spoon. As I rattled by, I felt positively Gulliverian, thrust into an Asian Lilliput.

The toy-town feel is exacerbated by Khatmandu's architecture,

which features intricately-carved wooden balconies, gilded roofs, cascading multi-tiered pagodas, Buddhist stupas like inverted ice-cream cones, and doll-house shops crammed with sacks of spices, household goods and religious paraphernalia.

We progressed through the warren-like streets, forcing a swathe through the press of people. Many were carrying black umbrellas which they whisked from our path as the rickshaw rattled by. Eventually we clattered to a halt near the Kumari's palace. I settled my fare with a dog-eared note and approached the home of the living goddess.

The imposing gate at the palace threshold was flanked by two shou-

bo photographed.

Once a year the king comes to worship. The Kumari bestows upon him authority to rule the nation by placing the red *tika* mark on his forehead. On one occasion, a rather disobedient little goddess ignored the king and placed the *tika* instead on the smooth forehead of his son. The king, needless to say, died within a few months and power passed to the prince.

The goddess's most riotous time comes during the festival of Bhadra Kumari when thousands gather in the square outside her house. Three huge chariots, one for her and two for her male attendants, wait outside. Bands play and masked dancers leap about.

As the king and queen appear on

pension, but some ex-goddesses have had difficulty adapting to the daily slog. Many find it hard to secure a husband since a Kumari must overcome the widely held belief that any man who marries her is doomed to an early grave.

I was lost in thought - thinking how strange it was that a few hours in a jet plane had brought me to a country where such beliefs were common currency - when I suddenly became aware of movement at the balcony above. I looked up to see a young and slender woman with a small child in her arms. It took me a second to realise that this small child was the goddess herself.

Her tiny body was swathed in red silk and a red bow nestled in her hair. The goddess's face was painted extravagantly with coal-black makeup which curved from her piercing eyes to the tips of her ears.

Suddenly she was gone. As she was looking down on me - I was alone in the courtyard - she had begun to squirm impatiently, evidently on the verge of a tantrum. Her attendant had quickly whisked her away before she could begin to cry.

This little girl, who had looked upon bloodied buffalo heads with equanimity, had reacted to my face with rather less composure. I headed back to my hotel feeling all-too-mortal, avoiding mirrors all the way.

David Pilling travelled c/o London-based Promotion Nepal (3 Wellington Terrace, Bayswater Rd, W2 4LW; tel: 071-228-3528) and local operator Temple Tiger. Nepal has three main attractions: Khatmandu for temples and culture; the mountains for trekking; and Chitwan national park for tigers. Promotion Nepal offers tours combining some or all of these elements. For example, the "Complete Picture" tour incorporates Khatmandu, the classic Annapurna sanctuary trek, and a stay at Chitwan with white-water rafting and an elephant safari. This 21-day tour starts at \$1,800. More modest trips begin at around \$1,000. Flights from the UK are with Royal Nepal Airlines which operates the only direct route to Khatmandu, twice weekly from Gatwick.

David Pilling visits Khatmandu and learns about the rigorous process of selecting a Kumari, a child worshipped as a living goddess by the Nepalese

der-high stone lions, painted in primary colours. Just inside was a small anteroom where a watchman lay asleep in a dusty alcove. Passing into the 18th century courtyard, I looked up at the decaying copper-coloured brickwork and the dark wood of the ornate windows. Behind one of these carved marvels, the living goddess was now hidden.

The Kumari's life is not that of a regular child. Once taken into the palace she does not emerge again, save for the odd religious festival, until she becomes "impure" - either at menstruation, or after bleeding heavily from the loss of a tooth.

On the rare occasions she leaves the palace, the little goddess's feet must not touch the ground for fear of pollution, a stipulation that obliges her to walk on cloth or be carried in a wooden chariot.

The Kumari's daily routine includes sitting patiently on a throne while she is worshipped by a stream of devotees, playing with her nurse's grandchildren, and appearing at her window for the benefit of tourists. Her appearances at the balcony must on no account

a balcony opposite, the Kumari emerges decked from head to toe - not a great distance in a five-year-old - in fabulous jewellery. A goat is sacrificed on the yoke of her chariot which then moves off slowly through Khatmandu as guns fire and the king bows in respect.

The next day, the procession again trundles through the streets, pausing before a demon-like mask with white fangs and staring red eyes. Beer spews from the mask's mouth, arching into the crowd and precipitating a frenzied struggle for the holy liquid. The Kumari, too, partakes.

For one accustomed to being the centre of such grand events, puberty must come as quite a shock. On this day the young girl's godlike powers desert her and she must leave the palace forever, never again to be worshipped or revered.

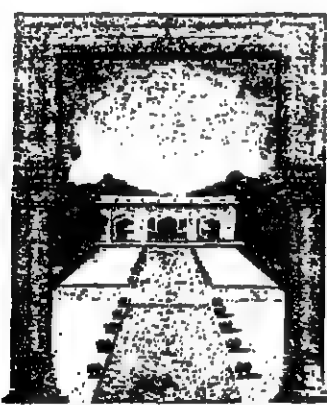
From being a living deity whose every whim is answered, she is transformed overnight into a rather awkward teenager with few friends, a rudimentary education and next to no experience of the world beyond her palace walls.

Former Kumari receive a state

Holidays & Travel on Pages XII, XIII, XIV, XV



A door, framed. In this case the Alangit Gate.



The perched gardens of Sholimar.



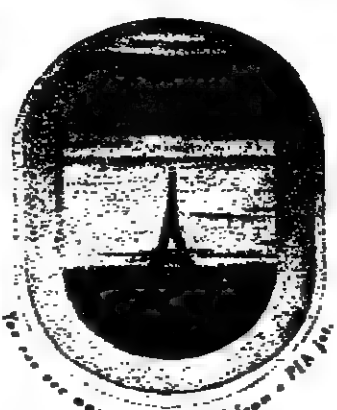
A tomb with a view to Koh Sharif.



Twin peaks: Dera and Rakaposhi.



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Without doubt, the most attractive time to sail across the Mediterranean is during springtime. The temperature is just right for exploring ashore, the sites have yet to be invaded by the summer arson travellers, but even more importantly the countryside is alive with the colour of spring flowers and the fresh greenery that is only present for the short spring season.

THE MS ILLIRIA

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SPRING IN THE MEDITERRANEAN

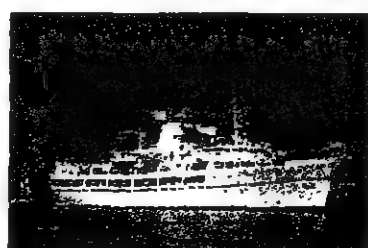
A 16 DAY VOYAGE OF SPRING FLOWERS, HISTORY AND MUSIC ABOARD THE MS ILLIRIA 20 APRIL - 5 MAY 1993

Piraeus-Katakolo (Olympia)-Taormina-Salerno-Bonifacio-Menorca-Motril (Granada)-

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THE MS ILLIRIA



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DAY 3 Taormina Drive to the theatre at Taormina and visit the ruins.

DAY 4 Salerno Visit Pompeii and the charming town of Ravello to see the 11th century Palazzo Arcaute with its lovely gardens and churches.

DAY 5 Bonifacio (Cape) After a visit to this dramatically situated fortified town we will explore the country lanes and 15th century church of St Dominic.

DAY 6 At sea.

DAY 7 Menorca See the island at its best. Explore the capital Mahon and Ciudadela and drive through the flower filled countryside.

DAY 8 At sea.

DAY 9 Motril Drive across the hills and plains, the black, red soil and past thousands of olive trees to Granada. Here was the last bastion of Moorish Spain and we have the day to explore the Alhambra.

DAY 10 Cadiz Drive to the former capital of Andalusia, Seville. See the immense Gothic Cathedral and the Plaza, the 16th century Moorish minaret that became a palace of the Spanish kings.

DAY 11 Lisbon See the Jeronimos Monastery at Belem and the Grand Palace of Orlans.

DAY 12 Oporto This great unspoilt city is a delight. Visit a port wine lodge on the banks of the Douro, the Cathedral and the Romantic Museum once home of the exiled king Charles Albert of Sardinia.

DAY 13 At sea.

DAY 14 La Rochelle There's a haven for the Inguenates. La Rochelle is a delightful bay and picturesque port. Walk through the excellent

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DAY 15 Jersey Visit the Manor of Samsons and the Eric Young (Herid) Foundation.

DAY 16 Dartmouth (Devon) After breakfast for each transfer to central London.

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TRAVEL

Where the Buddha's image takes shape

Justin Wintle discovers one man's Thai treasure trove

IN Phitsanulok, a crossroads town of 370 kilometres north of Bangkok, on the periphery of the mighty Menam basin, I had the good fortune to meet Sergeant-Major Dr Thawi-Pim Buranakhet, owner of the Buranathat Buddha Image Foundry. This came about because I had the good sense to visit the Sgt-Major Dr Thawi-Pim Buranakhet Folklore Museum, on the opposite side of the Wisutkasat Road.

Sgt-Major Dr Thawi-Pim Buranakhet, one might say, is a man of many hats. He is also, given his many achievements and his status of national cultural treasure (human category), astonishingly modest.

The museum, opened in 1982, is an old (ish) wooden house with just half-a-dozen rooms, although the 4,000-piece collection will soon be transferred to a modern purpose-designed concrete job which Thawi-Pim is funding from his own pocket and which will be opened to the public free of charge.

It contains a wide variety of artefacts, including cooking utensils, clay pots, ceramics, handmade toys, simple weav-

ing looms, puppets and, a little incongruously, an array of rusting phonographs. But the room Thawi-Pim takes most pride in is the room full of traps and snares, each designed for its specific prey and usually constructed out of bamboo.

There is a bamboo tunnel for placing over snake-holes, which the snake cannot wriggle out of; a bamboo pot that cockroaches fall into, prior to being boiled, and a very nasty iron thing for putting paid to porcupines. There is also a simple anti-ant device to thread on the hanging strings of cooking pots.

How each of these contraptions works Thawi-Pim demonstrated with skill and measured glee. For some reason I was reminded of Q in the James Bond films, and his infernal instruments. The difference, though, lay not so much in the degree of ingenuity, which was controlled by the required task, but by the laboratory conditions in which Thawi-Pim's gadgets had been created, for they were all machines he had found in jungle villages.

He told me that the collection represents a lifetime's search for the homespun expedients that Thawi-Pim believes embody the spirit and creative heritage of Thailand's peasantry - a heritage evolved over many centuries and now threatened by the spread of mechanisation. It is his aim, he said, to save what can be preserved of forgotten ancestors.

Thawi-Pim was born into a poor family deep in the forests of Phitsanulok province. As a child, one of 12, he had to learn to hunt and forage. His father, however, was also a painter, and from him Thawi-Pim acquired the rudiments of sculpture and drawing. When he joined the army, his commanding officer became aware of his talent and arranged for him to go to college.

That education was eventually put to use across the road. When Thawi-Pim quit the military he began a Buddha image-making factory, now the largest and probably most respected in Thailand. His inspiration was the great Chinnarat Buddha, at the Mahathat Temple in Phitsanulok, a hugely venerated, somewhat

austere bronze statue cast in 1357. In 1984 Thawi-Pim was awarded an honorary PhD by the local university.

The foundry consists of a cluster of sheds in which the several stages of Buddha-making are carried out. While Thawi-Pim's head was inducted in the process, each image is first modelled, under the Sgt-Major's supervision, in a dull maroon beeswax mixed with animal fats or coconut oil and tree resins. The model is then covered with a mixture of clay, sand and water to form the cast, and left to dry in the sun. Next, the encased image is oven-baked. After the re-usable wax has run out, the cast is left to cool before being fired in a kiln for 12 hours. It is now ready to be filled with molten bronze.

Again, the ensemble is left to cool before the cast is chipped off. But the resultant statue is nowhere near finished. Instead, it must be laboriously filed down and sometimes beaten. It is at this stage that much of the fine ornamentation is added, either with a chisel or from pre-moulded parts - such as the flame of



Sergeant-Major Dr Thawi-Pim Buranakhet with unfinished Buddha image

enlightenment that adorns the top of the Buddha's head.

Even so, the surfaces are not yet smooth enough. To achieve the desired finish, red and black lacquers are carefully painted on. Finally, the whole is dressed in gold-leaf. Only then is the image ready to be transported to a temple, where, in a ceremony that involves

breaking lacquer seals added over the eyes, it will be blessed by a Buddhist monk.

Each image takes up to a month to complete. Depending on the state of its order books, Thawi-Pim's foundry, employing 25 skilled craftspeople, produces between 100 and 300 a month. The average size, costing \$1,200, is around 2ft high,

with a pyramidal base. The largest, made in two main segments, reaches 12ft, while the smallest, at 4ins, sits comfortably in the hand. They are commissioned or bought by temples and private individuals, although Thawi-Pim's most regular customer is the Fourth Army, stationed on the city's outskirts.

It is a technique that, in its essentials, has remained unchanged since the middle ages. The Chinnarat Buddha was created by the same process. To watch it in action is to discover how metallic ores found in rocks can become the objects of profound devotion - species-specific traps for the human mind.

FOUR years ago I spent a couple of days at Nkamba Bay Lodge, by the shore of Lake Tanganyika, within Zambia's Sumbia national park. I could have gone fishing. I did go for game walks, escorted by a guide, Olivetti Chasanya, and his supremely ancient rifle. What I did not attempt, because of the crocodiles, was to walk near the lake.

The reason I respect crocodiles is my awareness of the number of people grabbed in recent years by the fearsome estuarine saltwater crocodiles - "salties" - of northern Australia. Mainly, estuarine crocs range from southern China and the Malay archipelago to India and Sri Lanka, taking in Australia, New Guinea, the Philippines and the Solomon Islands. In Papua New Guinea once I asked

a tribal chief what to do if chased by a croc. "Jump in the river," he said brusquely. It is possible he was joking.

For a rundown on crocs, alligators and other animal (and insect) hazards when travelling in tropical parts, you need the latest edition of *The Tropical Traveller* by John Hatt (Penguin, £6.99).

The writer insists that you should never run from a wild cat. "Although terrifying, it is much safer to face them. One acquaintance was charged by a

tiger in Nepal. His guide rushed at the tiger, shouting and yelling. The tiger retreated." Other tips: Buffalo and hippopotamus are far more dangerous than lions. On South Africa's Natal coast a cow hippo was once seen to plunge into the sea, seize a 300lb shark from the surf, haul it on to the beach and trample it to death.

Piranhas' ferocity, on the other hand, is much exaggerated (says Hatt), though the red-bellied piranha, common in savanna ponds, can inflict terrible bites. It is likely that most piranha

wounds are caused out of water. Landed piranhas (fishing boat or river bank) flop about and gnash their teeth.

Sharks: you are in greatest danger when near a wriggling fish, as spear-fishermen will confirm. Avoid night-time swimming: some of the most dangerous species, including the tiger shark, come into the shallows at night.

Good news about snakes: there are no dangerously venomous snakes in Ireland, Iceland, New Zealand, most of Polynesia and Micronesia, the Galapagos, the

Canaries, Malta, the Orkneys, Shetlands, Madagascar and numerous other islands. A South African survey showed that 74 per cent of snakebites are inflicted below the knee, and 67 per cent below the ankle. Lesson: wear boots and thick trousers. The snake's fangs may penetrate the trousers, but the amount of venom delivered will be greatly reduced. Dogs: again, do not run away. Face the dog, look fierce and bend down as if to pick up a stone. If the dog still threatens, throw a stone at the dog's (dog's) head(s).

Dogs are not only a problem in undeveloped countries. In the US, more than 1m dog-bites a year require hospital attention. Mosquitoes: about 1m people a year die of malaria, but mosquitoes also carry some 80 other diseases. Insect repellents last far longer on material (clothes, sheets) than on your skin. Many mosquito species like to bite ankles, so wear socks doused in repellent. "This may deter mosquitoes more than you think," says John Hatt, "because many of them begin their investigations

as close to the ground as possible." Hatt covers a broad range of subject matter: travel preparations, money (carrying it, keeping hold of it), equipment, flying, health, transport and accommodation, culture shock and so forth. There is even an index.

I especially liked his disclaimer: "The author and publisher have tried to make the advice and information as accurate as possible, but they accept no responsibility for loss, injury, inconvenience or other liability arising from any person using this book."

Another worthwhile paperback, recently updated, is *Europe By Train*, by Katie Wood and George MacDonald (Fontana, £7.99). It is packed with information, some of it obscure, some of it true, but all of it well marshalled.

Practical Traveller/Michael Thompson-Noel

Crocodile awareness syndrome

HOLIDAYS & TRAVEL on Pages XII, XIII, XIV, XV

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The legacy of Timurid architecture is manifest in the magnificent buildings and architecture of Samarkand and the glorious Timurid mosques and shrines of Bukhara. Samarkand was one of the great medieval trading centres, a place where the caravan highways - of the Silk Road from China, the trails to India and to Marco Polo's Europe - all met and crossed. It was therefore no wonder that Timurid architecture, and later his grandson Ulugh Beg, invested in his capital to make it worthy of its important position. The Registan, the main square, is the centrepiece surrounded on three sides by buildings whose pillars, arches and domes explore perfection in colour and shape.

Bukhara's great days began in the 9th and 10th centuries when it was the seat of the Samanid dynasty. But even when they were deposed, and Samarkand prospered, the city remained an important trading centre on the Silk Road. The old town is a treasure trove of old and beautiful buildings dotted around a warren of jumbled streets with the Ark, a citadel with 18-metre walls, dominating the main square.

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SPORT

Rugby Union/John Hopkins

When every tackle is a culture clash

MY FRIEND Dai is a rational sort of chap. He lives near Birmingham (well, no one is perfect) and writes calmly and only occasionally irascibly about golf. There is nothing to suggest he has rabid tendencies. Yet, this man is metamorphosed on occasions such as today when Wales are playing rugby against England.

A couple of years ago, we were in Jacksonville, Florida, on the day Wales faced England. In the early evening, Dai returned from telephoning home with a smile as large as his stomach (which was, and is, ample). "We stuffed 'em, 12-9," he said. It did not matter that it was a rotten game. The only important thing was that the men in red had won.

England versus Wales is, indeed, like no other rugby match. Wales against Ireland is a meeting of (fairly) like-minded Celts. Scotland against France has its own particular appeal, notably because the Scots have never won at the Parc des Princes in Paris (or beaten France in Paris since 1968, for that matter). But England v Wales has an edge that is sporting and sociological, physical and political.

"Forget the All Blacks, the Wallabies, and the Springboks," said David Watkins, the former Wales and British Lions international. "It's beating England, the

oppressors, that fires the imagination of every Welshman."

In my view, the Welsh and the English are like the French and the English. They are not meant to co-exist, and it is unfortunate that the two countries are in such close proximity. One can sing, the other cannot. One can play cricket, the other cannot. One owned the mines and the steel works, the other worked in them. One bred sheep, the other stole them. One supplies the water, the other drinks it.

Character and temperament are two differences that mark out the Welsh from the English. Language is a third. Gareth Edwards and Barry John used to confuse opponents by talking to one another in Welsh.

George Swart wrote in *The Strength of the Hills*: "No one can understand the seriousness that is paid to rugby in Wales unless he views it as a social and political affirmation of its nationhood. For a nation that has existed for many years as subject to a more powerful one, it is the sheet anchor of its self-respect."

You need only a slight grasp of history to be aware of the sense of injustice the Welsh can summon up against the English - and do, regularly. Before the game in Cardiff in 1977, skipper Phil Bennett is said to have dwelled on

every sociological and political slight delivered to the Welsh by the English.

"They have taken our coal, our water, our steel. They buy our houses and they only live in them for a fortnight every 12 months. What have they given us? Absolutely nothing. We've been exploited, raped, controlled and punished by the English - and that's who you are playing this afternoon." (Wales won, 14-9).

In speech, England and Wales are two nations divided by a common language. In England, the game is often known as rugby. In Wales, it is rugby - and you will be laughed out of a pub if you start talking about rugby.

In literature, the difference is striking. England's rugby heroes are described as if they are Greek gods. Of Ronnie Poulton-Palmer, it once was written: "The wondrous Poulton, the fleet and fawn, a golden-haired Apollo who stood as a symbol of the heart of England." By comparison, the Rev Frank Marshall damned with faint praise when he described Arthur Gould, of Wales, a truly great player and one far superior to Poulton-Palmer, as: "The greatest centre three-quarter that has ever played."

In their book *Rugby*, published in 1987, former England internationals Wavell Wakefield and I.P. Marshall wrote: "A man who plays [rugby] must be ready to give and take hard



Striking back: Mike Hall of Wales passes to Scott Gibbs while England captain Will Carling looks on, during last year's clash at Twickenham

knocks, but he will take and give them with a grin. He will need courage and determination and a sense of humour, and he must learn the meaning of unselfishness."

Contrast that with this passage by Richard Llewellyn in *How Green Was My Valley*, published only a few years later: "But Cyfartha is like a fisherman's net. The fly-half has been too clever and wants the try himself, and on he goes, tries to sell a dummy, and how the crowd is

laughing, for to sell a dummy to Cyfartha is to sell poison to a Borgia."

In spite of the two countries' differences, one date has considerable significance for both: June 8 1987 when Wales beat England 16-3 in Brisbane, Australia, in a quarter-final of the first World Cup. I think that was the worst result for Wales and the best thing to have happened to England. The Welsh reaction was to gloat - again proving themselves superior to their oldest

and bitterest rivals. The reality was that this victory covered serious deficiencies. What was wrong quickly became apparent, and Wales entered a trough comparable to that between 1923 and 1930 when they won only nine of 33 games.

England, by contrast, began a recovery programme that has made them one of the three leading nations in world rugby. In their past three meetings with Wales, the English have scored 83 points, the Welsh only 12.

"Wales is proud of this victory. Welsh peers and labourers - with all the intervening strata of society - were united in acclaiming and cheering the Welsh team. It was... a victory for Wales that probably is impossible in any other sphere." So wrote the *Western Mail*, the national daily newspaper, the morning after Wales had defeated the 1935 All Blacks 13-12 at the Arms Park. The same might be said if the Welsh win at Cardiff this afternoon.

Point-to-Point/Keith Wheatley

Farmer who thinks he's on a winner

BERNARD Heffernan is a punter and horseman of greater than average courage. This middle-aged Dartmoor farmer has wagered nearly £20,000 on his prospects of becoming the champion 1993 point-to-point jockey. Should he win, Heffernan stands to collect nearly £750,000.

"I think the bookies should have a kind word said about them," said Heffernan as we drank tea at his kitchen table. "If it wasn't for them, this whole game wouldn't be on."

If it was not for the spirit of Heffernan and others like him, point-to-point would not be enjoying a boom. As the season starts, the economic clouds over flat racing and National Hunt seem to have missed point-to-point. The 1993 fixture list is longer than ever, includes Sunday racing for the first time, and looks likely to have more runners than ever before.

In 1992 there were 12,718 runners in point-to-point, compared with a

previous record of 12,649 in 1988. There were 1,407 races last year, the previous record was 1,393 in 1989. The 202 meetings held in 1992 were the most for 30 years but, if the weather smiles, there will be 203 this season.

Rural simplicity gives point-to-point its charm. Every horse must have been subjected regularly to the muddy rough-and-tumble of a local hunt. No highly-strung thoroughbred darlings need apply. The usual course is over the land of a sympathetic farmer, although some hunts do use steeplechase courses. Races average three miles; ferociously long by the standards of the Flat. Point-to-point is also dangerous and there are many accidents to both horse and rider.

In the car parks, Range Rovers and filthy farm Land Rovers stand side by side. Horses and riders mingle with the crowd. Pints of beer and pork pies are far more in evidence than smart picnics - if only because the weather often is foul. The only common ground is a love of horses - something not always found on professional tracks.

Heffernan is aiming for 100 rides on just over 30 race days. A wall of his sitting room is covered with a chart listing dates, meetings and horses.

Almost all of his rides will be on his own animals. Stabled around the maddy farmyard are 20 hunters and former racehorses collected as part of this audacious bid. "I only rides my own," he says with a thick

Devon burr. "At my age, you don't want to risk getting up on other people's rubbish."

The most famous of the string is Yahoo, runner-up to Desert Orchid in the heart-stopping 1988 Cheltenham Gold Cup. "They say he's too old but as old boys got to stick together," says Heffernan. "His job is racing. You couldn't just turn him out in a field. Getting into point-to-point has given him a new lease of life."

That might also be true of the owner. Three years ago, Heffernan had never raced a horse, although he is a lifelong amateur show-jumper and hunts with the East Cornwall. Last year, he had his first winner - followed by five more - and eight seconds, and

took the Woodhouse Trophy as point-to-point's leading owner-rider.

"I don't see myself taking on Scudamore (National Hunt's top jockey) but on the amateur circuit I'm entitled to my bit of fun," he asserts. "I'm a doer. Can't be bothered with watching. There's so much enthusiasm and friendliness in point-to-point, it's a fun thing. Public and participants obviously agree. Although racing generally is stricken and attendances are falling, point-to-point expects record crowds."

Some say the big boys, sheltering from the financial problems of National Hunt, are using the amateur world of point-to-point to keep their hand in and their horses visi-

ble. Alternatively, with the continuing bad prices at horse sales, perhaps breeders are holding on to animals and giving them a run or two in point-to-point, hoping that a win might make them attractive when life returns to the market. But perhaps the open, almost naive, camaraderie of the "pointers" is infectious.

After news of Heffernan's bet trickled out, his phone scarcely stopped ringing. Even arch-rival Robert Ainer, a Dorset farmer and last year's champion, called to ask how things were going. Trainer Stan Mellor has offered Heffernan tuition, but he is not sure if that would be fair.

Ainer had 31 winners in 66 rides in 1992 and the bookies have him

at 4-1 to repeat the feat. The odds on Heffernan have closed to 10-1 since he placed his own bets last summer.

How does he rate his chances? "The biggest thing is me staying sound," he laughs. "You can get another horse but if you lose the jockey you're bugged."

A team of six works on the Heffernan string. The farm has its own gallop and the horses - bought for an average of £2,000 each - work out each morning on the spectacular expanses of Dartmoor outside the front gate. Heffernan's wife Denise, also a race rider, is putting nearly as much into this effort as he is.

"I don't consider this a gamble," Heffernan says, but his Devon accent vanishes momentarily - perhaps a sign of a leg-pull. "It's an investment in our ability to produce a first-class animal. I just hope the whole bloody thing stays fun. I want the public to come and say, 'Have a go, Joe'. I'm nothing special."

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Motoring/Stuart Marshall

And now the one-box vehicle



Nissan's Serena MPV: the shape of family cars to come?

IF THE developing fashion for multi-purpose vehicles (MPVs) is anything to go by, the family car of the future will be box-shaped. It would be sensible. A car with neither bonnet nor boot takes up less road space than a "three-box" saloon or "two-

box" hatchback or estate. And, logically, there is no reason why the engine should be up front, where the horse used to be before the horseless carriage came along.

More than 40 years ago, Volkswagen's Microbus - the first MPV - had the engine

tucked away at the back. Renault's Espace, the first MPV to be bought because it was smart as well as practical, has a normal front-wheel drive power pack, but that is inside the body and under the sharply-sloped windscreen.

Toyota took the bold step of burying the engine of its rear-wheel driven Previa MPV under the floor. Why not? All routine checks can be made simply by lifting the grille. And no one tinkers with electronically-managed engines any more, if they are wise. The latest MPV to reach Britain is Nissan's Spanish-built Serena. At first sight, I thought it looked like a cross between one of those Italian hearses with chromium-plated cherubs on each corner and a dignified, 1930-ish English limousine. When I swung up into the high seat behind the wheel, it felt decidedly van-like. But the more I drove it, the more I liked it.

Building a vehicle as tall as this gives it an enormous amount of interior space. Passengers sit high enough to peer over hedges. The driver's view of the road is so commanding that I found the Serena ideal transport in the crowded West End of London.

There is hardly any bonnet - the engine is mounted further back than usual - and no rear overhang at all. Combined with very light power-assisted steering, this makes the Serena easier to park than a conventional car of similar size.

The top-of-the-range SGX model I used had a British-made, 126-horsepower, 16-valve, two-litre engine driving the back wheels through a pleasant, five-speed gearbox. Fairly low overall gearing made it flexible in town, lively when accelerating up to 60

mph (97 km/h), and good at romping up hills in top or fourth gears, even loaded.

It takes time to reach 80 mph (128 km/h) but holds it on an autoroute without sounding frantic. On a windy day - or when overtaking speeding container lorries - you are aware it has higher sides than a car.

There are seven Serena variants offering four or five doors (including the huge tailgate); six, seven or eight seats; and 1.6 or two-litre petrol engines plus a two-litre diesel. The one I drove had six, separate and plumply comfortable seats, two normal front doors, and a single sliding door on the rear side.

Having six seats is useful, but only when the rear pair are folded away is there a large amount of luggage space. One of the optional layouts with seven seats (converting to five with a vast boot) would be more useful to a family with three children and a dog who do not want to travel long distances with all the luggage on the roof.

Prices range from £12,950 for the 1.6-litre LX to £17,750 for the two-litre SGX which comes with ABS brakes, two power-operated sun-roofs and air-conditioning as standard.

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FASHION

Cashmere is fine, but musk ox was the royal choice

FED UP with cashmere? Too affluent for angora? Try guanaco or musk ox for some really decadent clothing.

The world's woollens specialists can supply some of the most exotic fabrics around, if only their customers knew it. For many, cashmere will always be king. But alpaca can feel almost as good at a fraction of the price. Cashmere weavers, who would not be seen dead in yak, yearn for vicuña.

But how to navigate about the arcane world of rare fibres? Here is a quick tour.

Cashmere is the benchmark for all luxury fibres. Connoisseurs seek out white and pastel coloured clothes because only the highest grades of fibre from the best Inner Mongolian cashmere goats are pale enough. Poorer, darker, produce from Afghanistan, Iran or Australia is made into darker clothes. Prices of all grades have halved since 1989 and are now back to the levels of the early 1980s. Sweaters are widely available starting at less than £100. Daks Simpson sells a £599 men's jacket and Aquascutum has a ladies' coat at £1,100. For an unusual variation, Sogo on Piccadilly Circus is stocking a £395 blazer of wool, cashmere and silver fox. Harrods has men's cashmere suits at £1,750.

Daniel Green explores the more exotic and luxurious types of woollen

Mohair comes from the Angora goat and should not be confused with angora rabbit hair. It is light, warm and soft but a little coarser and stiffer than cashmere and is easily creased. Lightweight suits are popular in the Far East. Aquascutum has a ladies' mohair and silk blend sweater at £245. Chester Barrie has a mohair and wool mix men's suit at £575. Pure Mohair suits cost from £1,300 in Savile Row.

Angora is a rabbit hair fabric that has been out of fashion since the mid-1980s. Nevertheless, it is soft enough to be an alternative to cash-

mere and can be much cheaper. The best comes from Germany, Austria and Japan where it is popular for thermal underwear. Sweaters cost from £50 and Chester Barrie has a men's coat at £995 - Harrods priced them at £595 in its sale and sold out within a week.

Camel hair has a poor image in most of Europe and Japan but competes with cashmere in the US and Italy. Look out for kid camel hair from Italy. Do not expect to pick up bargains in the Middle East: the camels required are the two-humped Bactrian variety from cen-

tral Asia. Daks Simpson sells a men's jacket at £699 and John N Kent in Stafford Street sells an overcoat at around £1,200. An Aquascutum classic ladies' coat costs £740.

Alpaca fibre is the biggest seller from the llama family of the South American Andes. In terms of fineness it compares with camel hair, yet the wholesale price is about the same as top sheep's wool. The best comes from the Suri alpaca rather than the huacaya. There is a men's overcoat at £549 from Daks Simpson and a ladies' swing coat from Aquascutum at £890.

Vicuña is one of the rarest of all fine fibres and is widely regarded as a cashmere-beater. The vicuña is a relative of the llama, but poaching has decimated wild herds and the remaining creatures are protected. Pure vicuña garments probably originate from the black market, and legal stocks are being eked out by blending with cashmere. The cloth, if available, sells at more than £1,500 a metre in London but Japan is the main market, where a pure vicuña men's coat would sell for at least £6,000. A blended overcoat in Japan retails at £2,500.

Guanaco is also a member of the llama family. Some are reared in Wales, although Argentina produces a higher-quality raw material. It is slightly finer than cashmere



and costs 25-30 per cent more.

Cashgora is an Australian cross between cashmere and angora goats. Cashgora is not as soft as cashmere but its fibres are longer and stronger. It is typically about 20 per cent cheaper than cashmere but lack of customer awareness means that sales have yet to take off. Germans put it in luxury blankets and Sogo sells a sweater for £140 and Aquascutum has a ladies' coat at £345.

Yak hair comes from the Himalayas and is rare and fine enough to challenge the lower grades of cashmere. Unfortunately, each 350kg yak moults a mere 100g of hair a year and the material is most likely to be found blended with other fibres in overcoats in the US.

Musk ox was once worn by George V and is said to be finer than either vicuña or cashmere. In 1989, Lyle and Scott of Scotland made 72 musk ox sweaters and sold

them for £500 each, mostly in Japan. One of the few reliable sources today is Comingmak Musk Ox Producers' Co-operative, 64 H Street, Anchorage, Alaska 99501. Tel 0101-907-273-9225. Hats, scarves and unics knitted by native Alaskans cost between \$65 (£43) and \$385, mail order.

■ Daks Simpson, 203 Piccadilly, W1A 2AS. 071-734-2002. Sogo, 28 Haymarket, London SW1Y 4SP. Tel 071-333-9900.

THE MOTIF tie has become the power neckwear of the 1990s. Gone are the staid spots, stripes and old school colours; today's high-flyer is wearing a tie decorated with the unlikely power symbols of owls or rabbits, tea-cups or palm trees.

For some years, the classic Hermès tie has been the ultimate executive neckwear, outclassing school and regimental ties with its international chic. The chains, ropes, stirrups and anchors of upper-class sporting pursuits were intertwined across the tie in an intricate pattern. And this interlocking style became an international classic, copied by the manufacturers everywhere.

But then, to its traditional themes, Hermès added some audacious designs. From a distance, these ties appear to be just another intertwined or repeated pattern. But to the wearer, or a close observer, it is something far more interesting - the interwoven motif is of an animal, a playful image which subverts the formality of boardroom dressing with its whimsy.

Hermès began decorating ties with images of elephants, frogs and even snails. While traditionalists, such as the Prince of Wales and the Duke of Westminster, have remained true to the original patterns, individualists such as Sir Tim Bell, Baroness Thatcher's former public relations guru, Robert Sangster, the race-horse owner, and Sir David Frost, the television personality, shifted their allegiance to the animal motifs.

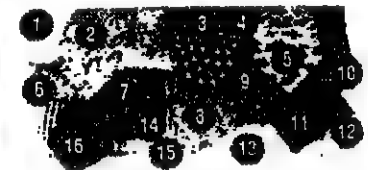
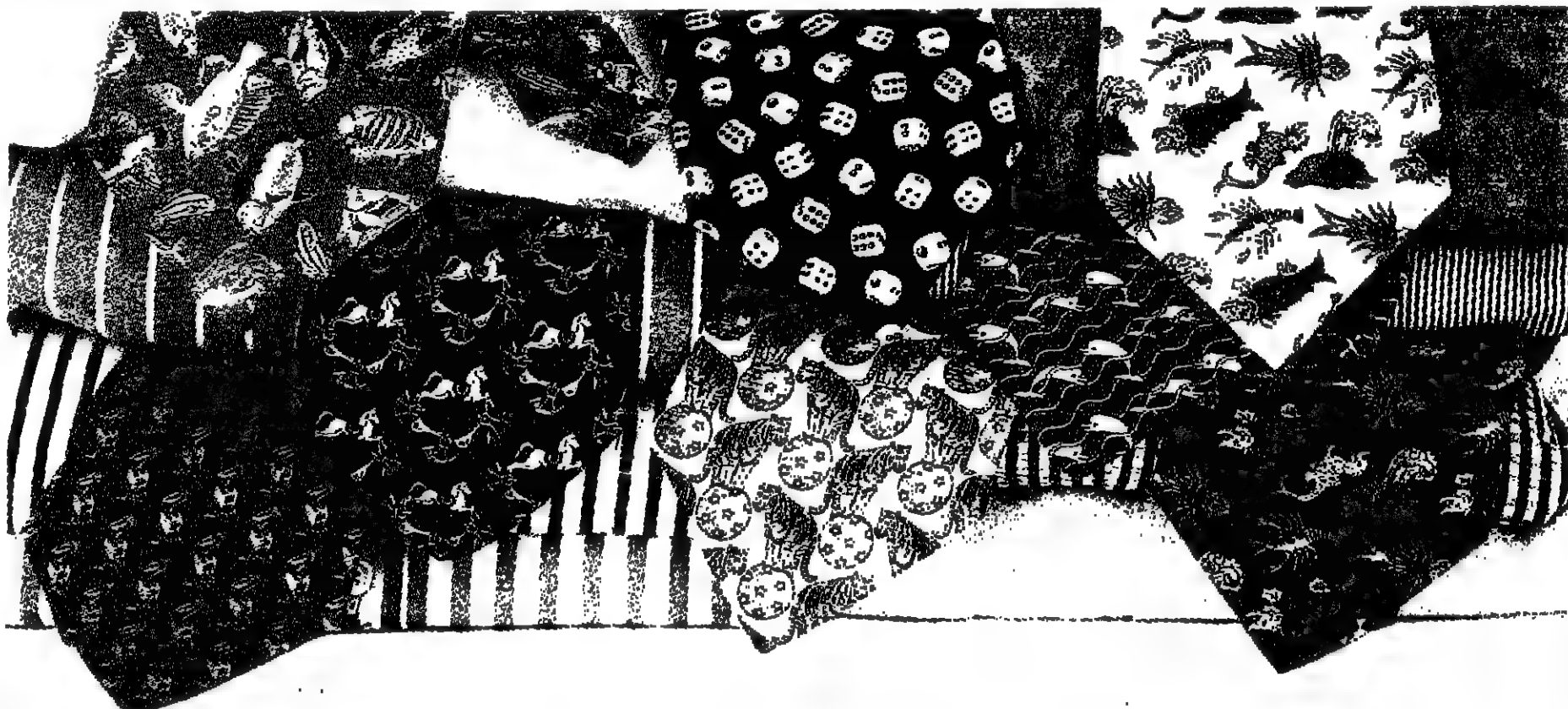
Hermès believes that motif ties are bought by confident men, those with sufficient power or individuality to break with tradition.

Now, every upmarket label is producing motif ties.

Some call them pictorial, others call them character ties, but the fashion has taken off, as each company tries to create distinctive designs which combine individuality, wit and elegance.

The boardroom tie market is an important one, and not just in terms of design. Hermès has claimed to sell around 800,000 ties a year internationally at £59 a time. Even a share of that market is significant.

The competing labels are making an impact. Paul Karvandi, a senior trader at Paribas, for instance, has noted that the monopoly of the Hermès label is being eroded. "People are wearing motif ties widely," he agrees, "but not always the ones by Hermès. That's particularly true of younger City types, people who



1. Lemon shirt, £49.95 from Hilditch & Key, 88 Jermyn St, London SW1.
2. Tropical fish tie on turquoise background, £29.95, from Gucci, 32-34 Old Bond St, London W1.
3. Blue shirt, £49.95, Hilditch & Key.
4. Tie with sea creatures, lemon background, £48, Alfred Dunhill, 30 Duke St, London SW1.
5. Blue and white stripe shirt, mail order, £36.50, Charles Tyrwhitt, Saddlers Court, Camberley, Surrey.
6. Tie with horse motif on navy blue background, Salvatore Ferragamo, 24 Old Bond Street, London W1, £49.
7. Tie with tiger motif on cream background, Gucci, 3. Green Dolphin St, £39, Hermès, 155 New Bond St, London W1; 179 Sloane St, London SW1 and 3 Royal Exchange, London EC2.
8. Fine blue and white stripe shirt, £49.95, Hilditch & Key.
9. Tie with sea creatures on blue background, Dunhill, £48.
10. Navy blue check shirt, 13. Pink shirt, 14. Red and white stripe shirt and 15. Blue and white stripe shirt, all £39.50 from T M Lewin 106 Jermyn St, London SW1 and 34-36 Lime St, London EC2.
16. Green pelican tie Hermès, £59.

Snails and frogs now talk the international power language

started out in the '80s and don't feel tied to tradition in quite the same way as the older executives.

"Quite often, their ties will be from the other houses, who have taken the motif and worked it into a more elegant design. There's a lot of choice out there and there's room for individualism."

The more closely interwoven the motifs, the more conservative the tie initially appears; the more scattered and separated the motifs, the more adventurous the wearer. Some designs retain obvious class associations, with images of horses, bugles and vintage cars.

But at the more daring end of the spectrum, there are teacups, skiers, zebras, golfers, bon-bons and gramophones; a wealth of amusing images.

Hermès says, naturally, that the copies are the biggest form of flattery. But each label has its own distinct interpretation of the original idea. And motifs come in many moods - they can be witty, graceful, restrained, bold, continental or British - somewhere in that range must be something for almost everyone.

Hermès The original and the most expensive (£59), the variety and depth of its colours remains unrivalled. Its witty designs are still immediately recognisable, but that has been achieved at the cost of sticking to its original look. Hermès still concentrates on its trademark animals: frogs, pelicans, dolphins, seals and fish are current favourites, although recent motifs have also

included clouds and tugboats. The most successful, and the real trend-setter, was an owl motif as sported by Sir Tim Bell.

Ferragamo It was Ferragamo which really declared motif war. In a series of full-page tie advertisements last year, it went head-to-head with Hermès, and many felt that the Italian label's distinctive, clever little figures and deeper colours surpassed the blunter designs of the French.

Ferragamo ties (£49) feature mainly people - minstrels, musicians, knights - with an historical feel, and the actual motifs are now growing into tiny narrative pictures reminiscent of willow pattern. Colours are rich, even featuring browns and purples.

Dunhill Dunhill only entered the motif-market last season. It has tried to capture a particularly playful, English feel. Tea cups, playing cards and music staves featured in its first collection, and themes from English country life will play across the next. Uniquely, it uses Royal College of Art fabric design students, unrestrained by commercial conservatism, to provide ideas; a sea-monster design was the result of this collaboration. While retaining its other, classic tie designs, Dunhill is committed to both wit and vibrant colour across its pictorial ranges (£49).

Gucci There is a small room in Gucci's Bond Street shop in London entirely devoted to ties, and nowhere is the

revival of the label's design sense more evident. In linked motifs, its graphic interpretations of skiers, gazelles and striding men have grace and flair. In scattered motifs, its dice, falling leaves and porcelain cups are clever and elegant.

With dozens of rich and subtle patterns, it seems that in certain circles Gucci is nowadays considered the most sophisticated motif ties around (£55).

T.M. Lewin Restraint is the keynote of Jermyn Street style, and that is reflected in the designs at T.M. Lewin. It is known for the most competitively priced shirts on the street, and its motif ties are also very reasonably priced. At £24 it has golfers, drums and bugles, and palm trees, at £20 knights on horseback

and, most attractive of all, gramophones.

Hilditch & Key Each Hilditch & Key design is available in muted colours. It has a much smaller range (£29.95, £24.95 at sale prices), on lighter weight ties. Its scattered golfers, parrots, cars and bon-bons are only available on two backgrounds - a somewhat brash scarlet, but also a very effective black, which sets off the motifs nicely.

Charles Tyrwhitt The mail order-only shirtmaker Charles Tyrwhitt (telephone 0262-860940 for a catalogue) has character designs in rich colours in the Hermès style: golfers and polo players, elephants and parrots, and Sir David Steel's favourite, chess knights (£24.50).

Designer dweeb names the guilty

The cynicism of shop assistants stops Michael Thompson-Noel looking lean and virile

THOMAS Mann said: dress like a bourgeois, think like a revolutionary. My trouble is that I dress like a dweeb, which tends to have a numbing effect on most of the cerebral cortex. Fashionwise - or even merely clotheswise - I am dead from the neck down.

How did this come about? It is not that I do not care, for I cringe with embarrassment every time I see a reflection of myself scuttling past shop windows or find myself, in restaurants, steered towards the table by the door. It is not that I lack imagination.

In my mind's eye I see myself as tall and lean and virile - just like Zoltan Solymosi, a dancer with the Royal Ballet, who featured, with Darcey Bussell, in a recent issue of *Vanity Fair*.

In one of the photographs Solymosi wore a Daks dinner suit with a black polo-neck sweater. I could wear them easily. I could even wear the tartan sequined evening jacket and black lycra bodysuit that Darcey Bussell was modelling.

It is not that I lack the money. I am not awash in funds: 45.6 per cent of my net salary goes in mortgage payments to the chairman of Abbey National, to keep him sleek and plump. But I could afford some stylish clothes if I would only visit the stores. Nor - that I lack taste. Nor that I do not travel, or stay in posh hotels. Nor - as you mention it - am I as thick as two short planks and somehow unaware that women look more kindly on men like Zoltan Solymosi, with his nice shoes and waistcoats and expensively-kept hair, than they do on men like me.

Some of the soup stains on my ties have soup stains of their own. Neither of my suits fits. I take refuge in blazers. Most of my sweaters are gross. My shoes pinch.

Whom do I blame for the state of my wardrobe? Answer: the retailers. Reason: their cynicism and shortsightedness in employing shop assistants who have sold me, over the years, clothes that neither fit nor suit me. Is stupidity a job requirement for people who work in retailing?

I counted my clothes this week. I only own two suits (one from Gieves & Hawkes, bought in a sale, which needs major surgery and should never have been sold to me); two blazers: one sports jacket; 10 peculiar pairs of trousers; one French-made blouson (the only decent thing I own); one hideous linen safari jacket (Simpson of Piccadilly: they should have refused to let me near it, let alone take it home); one tatty raincoat; no overcoat at all; one dinner suit; 20 shirts (only two from Jermyn Street); an idiot's collection of ties; three pairs of shoes; seven moth-eaten sweaters and a disreputable collection of T-shirts and Bermuda shorts.

I hate shopping for clothes. In my experience, shop assistants are either sneeringly superior or too bored or lazy to offer appropriate help or advice. It has to be dragged out of them. They think that their rôle is to flog me duff clothes with minimum expenditure of time or energy. I blame their bosses. (I blame myself a bit, but not as much as the bosses.)

The only time I was sent packing

was by an Austin Reed salesman. It was winter. I needed some shoes in a hurry. The salesman studied my feet, then rolled his eyes despairingly. He said: "You have extremely narrow feet. Sir. I couldn't begin to help. There is nothing in the store - nor at any of our branches - that could fit such narrow feet. You need specialist advice. Sir. I expect I could find an address, but it may not be in London. You may have to make a rail journey."

He was off his head, of course. I do not have narrow feet. He probably had a hangover - just wanted to get rid of me. But if more sales assistants were more honest more often, I would accumulate fewer unsuitable clothes. I would not hate shopping. As a result, I would shop more frequently and spend the money necessary to keep my wardrobe up-to-date. Because they do not train their staff properly, clothes retailers must be cheating themselves of millions in lost turnover. If they raised their game, I might even become interested in fashion. Roll over Zoltan Solymosi; hello Darcey Bussell.

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HOW TO SPEND IT

Dunhill goes back to its roots

Lucia van der Post on a company that is cashing in on nostalgia

AT THE turn of the century London was a city of small shopkeepers. Mass-production had not yet got under way and business was largely made up of small cottage industries. For historians what is fascinating is trying to identify just why some of the small cottage industries died and why others grew into hugely successful modern companies.

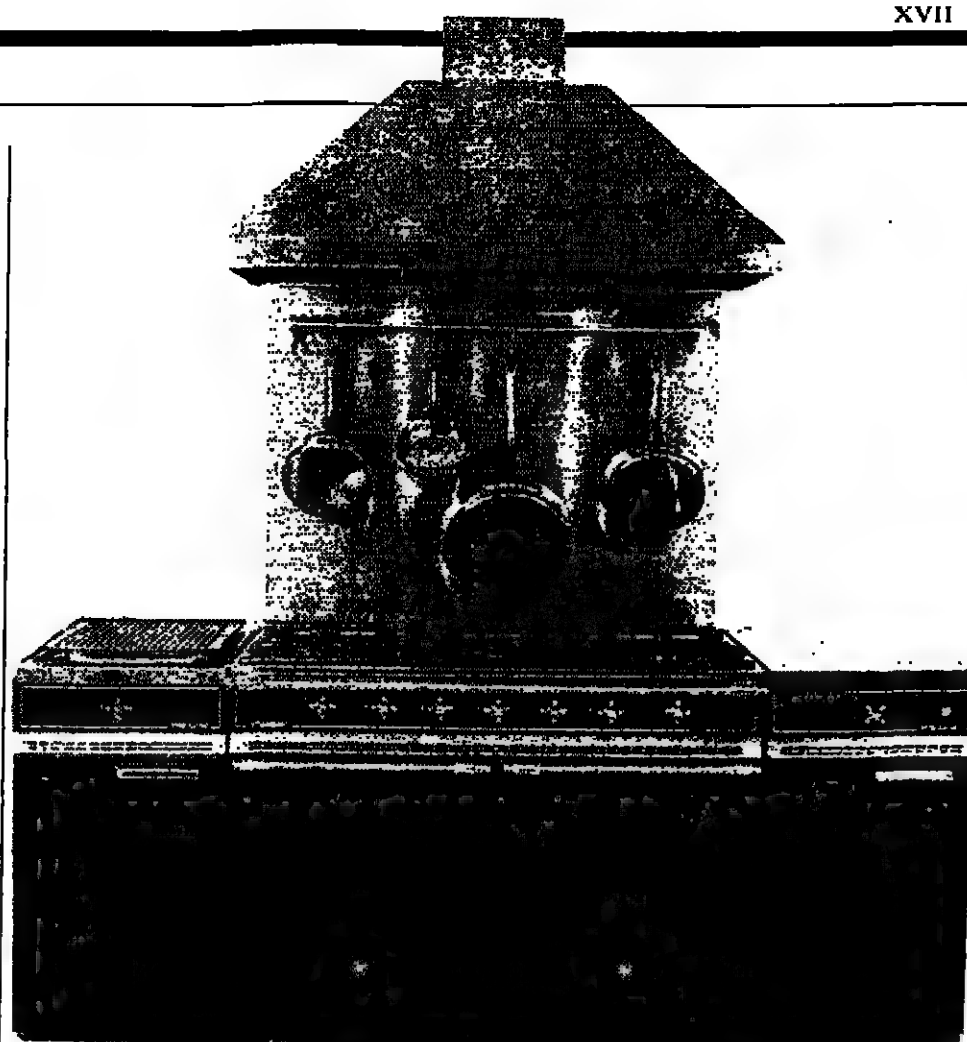
Take Alfred Dunhill. In the late 19th century Dunhill was just a little tobacco shop, one among many. Almost all later fell by the wayside but Dunhill prospered and is now busy turning itself into a big player in the luxury goods industry.

Like most successful businesses it was kick-started by a

man who was intuitive enough to anticipate the way the world was going, to offer customers what they had not yet realised they wanted. Motoring, he foresaw, was going to be the coming thing and so he developed what he called the Dunhill Motorities - fine leather coats to keep out the wind, footmuffs to warm the feet, motor-ing-masks, fur-lined goggles, brass lamps, picnic baskets; the ideas came thick and fast.

From Motorities (which he foresaw would be less in demand once motor-cars became enclosed and warmer) he moved into an ingenious range of lighters, watches and accessories.

Now that it has become fashionable for companies to look



A serious cooker, for serious cooks

Lucia van der Post considers a kitchen range that is popular with enthusiastic home chefs

ALL THOSE doomsters who predicted that the family meal was endangered, that the great warming roasts and casseroles of yesteryear would be nothing more than a nostalgic memory, might like to know that they were wrong - the market for serious cookers grows bigger every year.

How do I know? I know because ever since La Cornue, the cult cooker for serious cooks, was introduced into this country in 1989, other manufacturers have been rushing to copy them.

After La Cornue, we got Rosieres, with its Bocuse oven; the Viking range from America; Morrice from France with its enamelled ovens; Gaggenau with its large hobs and double ovens; and New World started offering double ovens and extra cooking units. All were aiming to fulfil the longing for what marketing men now call "hobby cookers."

Hobby cookers, are what young professionals and family-minded keen cooks, are looking for. They are no-nonsense, fine-looking, machines. Although they were way beyond the price most ordinary families would dream of paying, keen cooks, it seems, were prepared to pay for something that they saw as central to their domestic lives.

Hobby cooks are attracted by the almost industrial look, robust styling, beautiful workmanship, and fine finishes coupled with large capacity, high power and fine precision.

When La Cornue first came out, few could afford it. Each cooker was made to individual specification and at anything

up to \$8,000 or £10,000 a time the cooker was clearly beyond the reach of all but the most fanatical or affluent. Which is why Eddis Cottrell of importers Fournieux de France, approached a manufacturer in Burgundy to come up with an Ambassade, a range of what he calls "semi-professional stoves" at much more accessible prices.

They have much of the same charm as La Cornue - generous lines, the expansive air of being a source of carefully-tended gregarious meals as well as the technical capacity to produce them.

There are two ovens, both large enough to take the most well-fed of turkeys; one is a convection electric one, the other a static electric oven with grill. The hob has five high-powered gas burners (which can bring a 5-litre pan of cold water to the oil in under 10 minutes) and it comes with pan stands which enable the cook to cook across the whole surface.

There are removable cast-iron simmering plates which keep sauces at precisely the right temperature, as well as griddle plates (so you can char-grill your vegetables as well as any sassy restaurant) sauté pans and steamers which fit across the burners.

There is also a mijoteuse pan which sits over the large burner and fits in the oven - ideal for braising when you

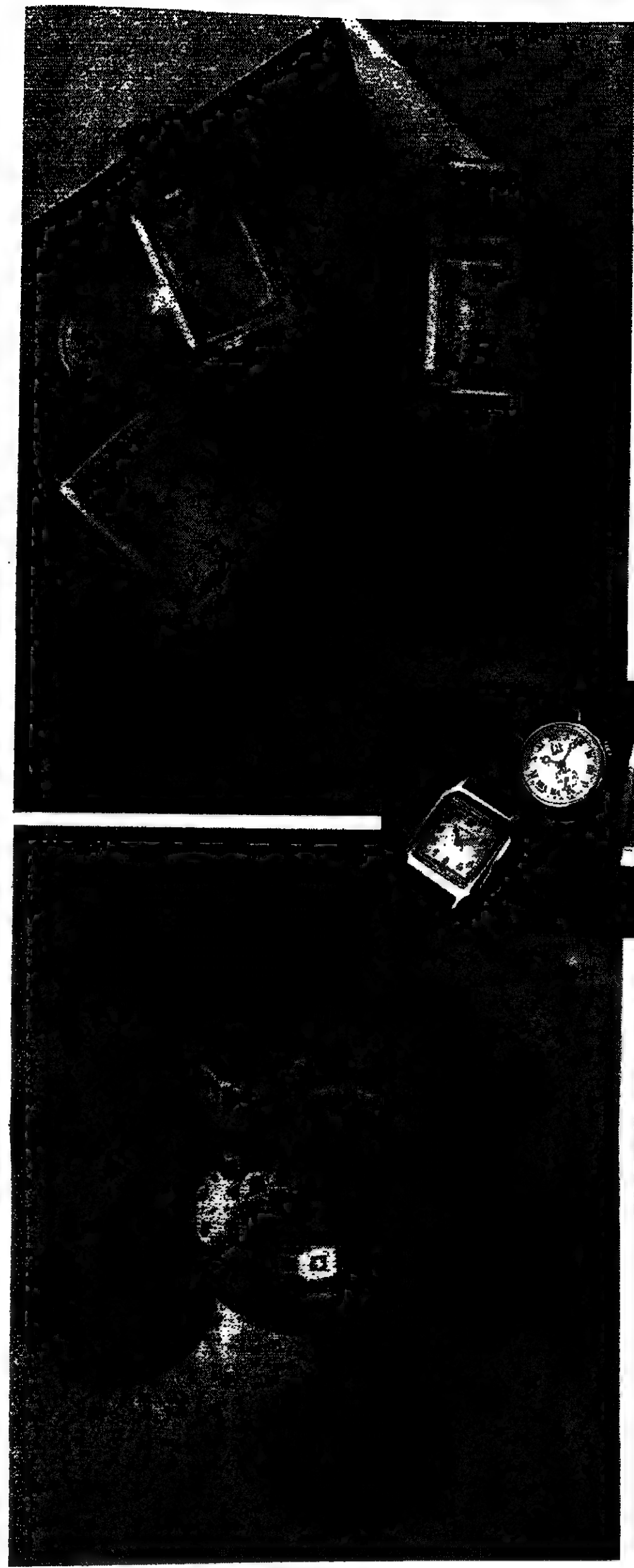
need first to brown on top of the cooker and then to finish off slow-cooking in the oven.

The basic two oven, five-burner model sells for around \$2,087 - it is photographed above with two add-on modular units (which include a built-in bain marie, a deep fryer and warming oven) which are around \$700 each. For those who like the sturdy, industrial look but do not need two ovens, there is a single oven (but spacious with two fans and two sets of elements) version which sells for \$1,573.

Anyone interested in the cooker can telephone the Fournieux de France showroom at 82 Westbourne Grove, London W2 8SH on 071-792-0991 and arrange a demonstration.

So much for the technicalities, what about something a little more personal? Sophie Mirman and Richard Ross (once of Sock Shop fame, now happily running the children's mini-stores Trotters in London's King's Road and Kensington High Street) have been the contented owners of an Ambassade for three months.

"We love it dearly," says Richard. "We both cook and we were looking for something for a country kitchen, something a little bit special. We like its rugged looks, we think it is very beautiful and very luxurious and at the same time it is wonderful to cook on. It's quite hard to keep it clean but we find it's worth it."



Photographed top left is a selection of Alfred Dunhill watches from the 1930s - to the right are the new versions, which are not exact replicas but have been recreated in the spirit of the 1930s. There are six designs and each comes in an edition of 100. Prices range from £1,600 to £2,500. Pictured left is the original golf ball lighter, first designed in 1923 and most famous for the fact that the body was weighted so that it always returned to the upright position no matter how it was placed on the table. Sold originally for the magnificent sum of seven guineas, the new version, photographed immediately above, comes in sterling silver and will sell for £575.

to their roots Dunhill, in its centenary year, is doing just that - affirming its spirit, celebrating its history, digging deep into the archives. It has launched an £8m advertising campaign to persuade owners of Dunhill collectables to sell them back to the company. Already, several rare pieces have been bought but there are still some special pieces (such as the "Dorothy" rose lighter - a marvellously kitsch design with a platinum and gold basket topped by 80 cabochon rubies for the roses) which the company longs to have.

Dunhill has also been inspired to try and recreate the best of the pieces. It has started with a few key designs - the golf ball lighter, a classic of the 1930s; a marvellous short leather motoring jacket based on the Motorities coat; a range of watches inspired by a 1930s Dunhill range; and the Sylphide Lighter.

Sadly, not all the designs have been recreated as finely as the originals - technology and time move on and what was expensive way back in the 1930s is almost unaffordable in the 1990s - but all have something of the original spirit. Pictured here are some of the first pieces from the new Heritage Collection, to be available in mid-March from Dunhill, 30 Duke Street, St. James's, London, SW1Y 6DL and branches.

The tastebud test is best

TECHNICALLY safe our tap water may be; a joy to drink it is not. So welcome to Kenwood's Ultrascreen water filter which I have been testing for the last few months.

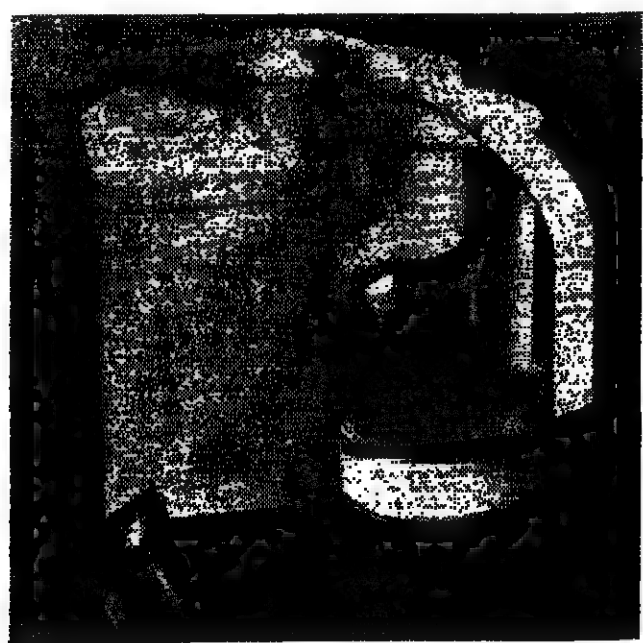
Slightly more complicated (and expensive) than simple counter top jugs, much less complicated (and expensive) than full-blown plumbed-in systems, I have the impression it makes a real difference.

Laboratory testing is not one of my strong points. I have no impressive scientific data to offer, all I can say is that going by the simple tastebud test I like water better when it has been through the

Kenwood system than straight from the tap. Our kettle, too, seems to like it better and needs only the occasional minor detouring compared with the heavy decrusting that it seemed to need before.

Kenwood, as is only right and proper, has all sorts of stalwart scientific data to offer those of a more rigorously technical turn of mind, but to put it at its simplest, the system is based on a filter cartridge that contains a patented selection of ion exchange resins which Kenwood claims "reduces a comprehensive range of impurities such as aluminium, chlorine, copper, iron, lead, mercury, nitrates and zinc."

It is the only portable table-top electronic system. It remineralises the water once it has been filtered (if you take everything out of water it tastes rather dead, remineralisation returns trace elements). In addition the



pump system disperses water more evenly over the filter, resulting in more efficient filtration than gravity-fed activated carbon filters.

There are a few other points to bear in mind. Firstly, Ultrascreen, as you can see from the accompanying photograph, is larger and more cumbersome than smaller counter-top jugs - I still prefer it but others who are short of space would have to take this into consideration.

Secondly, the cost, at £59.99, is about four times that of the simplest systems and more importantly perhaps the cost of the filters is £5.99 a time. In our (mainly) two-person London household a filter seems to last about two

months, which works out at under a pound a week - a price I am very happy to pay and a lot cheaper than drinking bottled water but again it should be borne in mind.

One big advantage is that the machine delivers the filtered water faster than most table top models. Ultrascreen is the only machine which alerts users to when it is time to change the filter. The built-in memory points out when the cartridges' effective life is ending.

It can be found in most good kitchen and department stores. Double packs of replacement filters can be bought for £14.99 by mail order from OAS Ltd., Bletchington, Oxford OX5 3AX. (Tel: 0869-50949).

Designer blends

AFTER the Dunhill toaster, the Philippe Starck lemon squeezer and the Alessi kettle - welcome to the Waring blender, latest must-have kitchen appliance for the design-conscious foodie set.

And lest that sounds too frivolous or dismissive, let me hasten to add that almost any half-way enthusiastic cook might like to own it, too.

The Waring Professional Blender, to give its full name, saw the light of day in the US in 1935. Before long it became a kitchen classic. Sturdy, long-lasting and powerful, it was just what the eager cook needed.

Cooks love it because it has a two-speed switch and a strong and powerful commercial motor which enables it to cope with tougher foods, such as meats and pâtés. It is also generously sized, holding 40oz, and it is simple and easy to clean - the top fits straight on to the motor base.

The design-set love it because with its heavy metal base, its thick glass and "Deco" styling it is redolent of the heyday of American soda-bar culture, the golden pre-war period when the US truly seemed the land of opportunity.

I like it best in its original chrome but it is also available

in three new colours - red, blue or green.

It costs £129 from Harrods of Knightsbridge, London SW1. Divertment of 139/141 Fulham Road, London SW3 and Wigmore Street. For other stockists contact the Importers, Robot Coupe, 62 Westbourne Grove, London W2 8SH.

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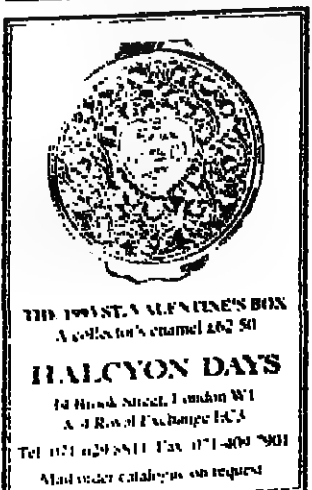
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BOOKS

The bible put to political use

A.C. Grayling admires the brilliance and charm of Christopher Hill's work

TODAY IS Christopher Hill's 82nd birthday. Longevity seems appropriate in an historian, for although reading about interesting times is almost always better than living through them, it somehow seems that the historian who does both must profit thereby. Hill has certainly done so; a figure who inspires affection, admiration and controversy in equally generous parts, he is a colossus in his special field – the history of 17th-century England – and at the same time the only Communist ever to have been Master of Balliol College, Oxford.

As if to mark his birthday with proof of sparklingly unimpaired powers, Hill here publishes another major study of the 17th century, this time on the influence of the English bible on those tumultuous times. Every characteristic of Hill's writing is on display: astonishingly wide reading, lucid prose, striking insight, compassion. And so too are the themes for which Hill has consistently argued, least among them the conviction that the English Revolution set the pattern for revolutions to follow, in America, France and Russia, whose various makers looked back to the story of Charles I and Cromwell for their models and cautions.

The 17th century is a battlefield of controversy among historians, and Hill is one of the leading figures in the debate. The controversy's background lies in the development, in recent decades, of a "revisionist" response to the legacy of Whig history which long dominated theories about the English Revolution. Whig history is premised on the idea that history is progress,

consisting in the evolution of social and political institutions from less to more perfect forms. History is improvement; later, Whigs say, is better. Accordingly their judgment on the 17th century is that the increasing power of Parliament against the Crown represents progress, and explains the increasing liberty, wealth and influence of the English people.

This, in a nutshell, is Hill's view. He has indeed been described as "the last of the great neo-Whig historians". In his celebrated book *The Century of Revolution* he invites us to compare England at the accession of James I (1603) with England at the accession of George I about a century later. James chose his ministers as he wished; Parliament sat at the king's discretion; Crown revenues still supplied most government finance. England was a small, poor country, with a one-crop economy and little international influence. In sharp contrast, Hanoverian England was the world's greatest power, its king owed his throne to Parliament, and Parliament completely controlled the nation's government and finances.

And these, Hill argued, are only the bare bones of the story. James's leather-clad subjects became George's wearers of linen and silk. The former drank ale and dined off pewter and wood; the latter drank tea, coffee, port and gin, and furnished their dining tables with pottery and glass. By George's time knives and forks, looking-glasses and handkerchiefs were commonplace, and the Duke of Devonshire had an indoor bath with hot and cold running water. Such, palpably, is progress.

But the "revisionists" are not per-

suaded by the assumptions of this picture, in which the causes and consequences of the Civil War are seen in terms of Crown versus Parliament, with Puritanism providing the focus of opposition. For revisionists the picture is much more complex, with many local factors in play. The distinguished historian Conrad Russell argues that it was not a revolution that the 17th century saw, but a general breakdown prompted by three chief factors: it was no longer possible to enforce a single religion;

THE ENGLISH BIBLE AND THE SEVENTEENTH CENTURY REVOLUTION
by Christopher Hill
Viking £25, 466 pages

war was no longer a private enterprise of monarchs but required funding through taxation, which fractured the financial system; and the problems of running a multiple kingdom (the Crowns of England and Scotland were united in 1603) proved as great as the very similar problems now faced by the European Community. So the Whig picture, revisionists argue, is insufficient.

Although it is right to describe Hill as a neo-Whig, his chief intellectual debt is to Marxism. Marxist historiography's premise is that change in societies is driven by contradictions inherent within them. In the 1930s, when Hill was at the beginning of his academic career and a new member of the Communist Party, the framework of Marxist theory offered a powerful counter to "structuralist-functional" models in

which societies are viewed as static, or as neutralising change and disorder. Although Hill left the Communist Party in 1957, his views continued to be influenced by Marxism, whose optimistic and teleological character is perfectly consistent with a Whiggish conception of history.

In his new book Hill argues that the English versions of the bible which appeared in the 16th century, and especially the "Geneva" Bible (so called because it was printed in the Protestant safety of that city, with politically radical marginal notes), had a wide impact on 17th-century society. It was put to political uses, chiefly on the side of opposition to kings and tyrants; it provided textual support for dissent; it hugely influenced literature; and finally it subverted its own authority by exposing difficulties over interpretation – for if each can read scripture his own way, its authority is no longer universal. The impact of this protestant and revolutionary book was enormous and often unexpected. Hill's discussion of it is fascinating, and as usual sure to provoke debate.

In paying warm tribute to Hill as historian and teacher, Conrad Russell this week remarked that however large the difference of opinion or robust the debate in which Hill is engaged, "he always plays the ball, never the man". That is a great virtue, and among all the praises that could be heaped on the head of this day of English history and letters, it is an apt one to single out, for it speaks of the courtesy of his brilliance, and its charm. Hill's new book displays both these qualities in abundance.



'The Toilet of Salome', Aubrey Beardsley's illustration for Oscar Wilde's 'Salome' (1894), is one of the many Beardsley drawings in 'Pin de Sicile: the Illustrators of the Nineties' by Simon Houpt, published this week by Barrie & Jenkins (£25, 166 pages with eight colour plates and 120 black and white illustrations)

Marble gods conquer stuffed elephants

A FOGGY day in London town. What the British Museum loses on such days is not so much its charm as the details of its exterior decoration. The conspiracy of fog, fumes and general metropolitan chiaroscuro explains why most people entering the British Museum, including museum staff, never notice that its portals are topped by a pedimental facade – and if they have noticed it, the chances are that they have never bothered to see its significance.

This pediment deserves more attention. It was designed in the mid-19th century by Sir Richard Westmacott, whose earlier work elsewhere in London includes the virile but fig-leaved statue of Wellington as Achilles in Hyde Park. Westmacott's theme for the British Museum entrance was *The Progress of Civilisation*. The viewer is intended to begin at the Eastern end, where man is seen crawling out from the primal slime. Man sheds the slime to indulge in hunting and farming, then, in a pagan but intellectually enlightened state, he studies astronomy, as personified by the central figures of the pediment. Thence issue mathematics, manufacturing, drama, poetry and music. Finally, there is the discipline of natural history. By the time he reaches the Western angle of the Westmacott pediment, man is reckoned to be well on the way to a civil-

ised existence.

Since the British Museum was originally founded for "the advancement of the study of Natural History", this was an appropriate order of things. But natural history was already having trouble in retaining its eminence within the Museum. The arrival of the Elgin Marbles, and the steady accumulation of other antiquities throughout the first half of the 19th century, undermined the original *raison d'être* of the Museum. A contest ensued, between marble gods and stuffed elephants: the gods won and, while the elephants were trundled off to Kensington, ample new premises were designed for statues previously accustomed to the ambrosial heights of the Athenian Acropolis.

Well: this was, after all, the same period in which John Stuart Mill asserted that the fifth-century BC Battle of Marathon (when Greeks held off a Persian invasion which might conceivably have proceeded into Europe) was a more important event in British history than the Battle of Hastings. British public schools were Spartan and the British

constitution, an empire-building structure operating from a restricted democratic base, was obsessed with its Classical Athenian prototype. Though Gothic put up a good fight, the Classical architectural orders were bullying their way all over the country. Small wonder that the fossils and the stuffed elephants were dislodged from their Bloomsbury

ARCHAEOLOGISTS AND AESTHETES
by Ian Jenkins
British Museum Press £25, 264 pages

home. Almost as soon as it went up, Westmacott's pediment was outmoded by an aesthetic of reverence for the Parthenon sculptures.

The story of this process is told in this book by Ian Jenkins, one of the curators of Greek and Roman Antiquities at the British Museum. Jenkins explores the dilemma posed for Classically-educated Victorians: whether to salute fifth-century BC Athens as an absolute, an apogee, or recognise

the linear inevitability of Darwinian progress. And he traces the development of another problem for museum directors: if Classical Greek art was perfection, where was one to put the also increasing quantities of Oriental and Near Eastern relics?

Lord Elgin, as is now generally recognised, was driven not so much by aristocratic cupidity as by a wish to place before the British public exemplars of perfection, and a desire to encourage a renaissance of the arts in Britain. He would have been comforted by some of the statistics revealed by Jenkins: for instance, that in 1878 permission to sketch Classical sculptures in the Museum was granted to some 16,000 art students. But creating a grand chain of progress in art, whereby Egypt was linked to Greece via Assyria, proved beyond Victorian ingenuity: and the hope that Greece might one day be capped by the glories of British art was never remotely sustained by the virtuosity of the day, however assiduous in their Neoclassicism.

"No longer is the art of one people judged the inferior of

another, but each is taken on its own terms." Thus Jenkins nods towards present canons of intellectual respectability, which dictate that anyone who visits the British Museum ought to spend as much time in front of the colossal monsters from Nimrud as with the Elgin marbles.

But, having displaced the stuffed elephants, the Athenian gods and heroes still enjoy a special status within the Museum. Although the "Valhalla" designed for them in 1833 at the expense of Lord Duveen was modified to make them more accessible to the public gaze, the present setting of the Elgin marbles continues to nourish a sense of particular veneration for them. The sheer spaciousness of the Duveen gallery argues that its contents are examples of very rare and difficult art. It may be that, a century hence, the dynamics of taste and cultural relativism will have caused further reorganisation within the Museum; possibly, the Elgin marbles will not be there at all.

But a museum, over time, becomes a relic in its own right. What Ian Jenkins has done is a self-reflexive exercise. He is a curator involved, as it were, with the curatorialism of past curators. The results of his research are worth reading by anyone for whom the British Museum has ever furnished delight and discovery.

Nigel Spivey

Imperial distortions

FIFTEEN years ago Professor Edward Said, a Palestinian based at Columbia, published a fashionable, even influential, book called *Orientalism*. In *Culture and Imperialism* he develops and broadens some of the themes of that book so as to analyse, with references galore to literature and in particular to the Western novel, the relationship between the imperial powers and their dependencies.

"Without empire..." he writes with typical assurance, "there is no European novel as we know it... The novel, as a cultural artefact of bourgeois society, and imperialism are unthinkable without each other..."

Which, if you think about it, is not really true. Said starts early with an example of his approach: in *Mansfield Park* (which one might have thought was a pre-imperial book) he declares that Sir Thomas Bertram's plantation in Antigua is central to Jane Austen's conception of metropolitan England's peace and stability. Is that insight helpful? I suspect not. He goes on, of course, to discuss writers more apparently imperial in setting and concerns: Kipling, Verdi (for *Aida*), Conrad and, in due course, Forster, Yeats, Camus, Achebe, Malraux, C.L.R. James, Fanon, and so on.

Said is careful to claim that he responds to his chosen novels first and foremost as valued products of the creative imagination: only then, he says, does he set them in the imperial context and without condemning them for that colonial connection. But there is something depressingly limiting about this political view of the greatest literature: the "darkness" whose heart was explored by Conrad, for instance, is surely

diminished if it is interpreted merely in terms of a non-European society resisting imperialism.

Take *Kim* as a better example, to which the professor devotes a long section. I recall him describing *Kim* in an earlier publication as "a profoundly embarrassing novel". It is good to find that he may have changed his mind: he now seems to admit that *Kim* is one of the greatest novels of our age – it is an astonishingly under-estimated book, perhaps because it can be fool-

CULTURE AND IMPERIALISM
by Edward W Said
Chatto & Windus £20, 444 pages

ishly filed on the children's shelves – but it is also alarming to discover the limits of Said's response.

Kipling, we are assured, "assumes a basically uncontested empire"; the Lama is placed "within the protective orbit of British rule in India" (see the Lahore Curator giving him those symbolic spectacles); Kim is a "liminal" figure whose role is to help maintain the bonds of society; at the moment of his crisis – "And what is Kim?" – he goes through "a ceremony of reappropriation, Britain... taking hold once again in India" and so achieves the "function of being a Sahib in colonial India". This sort of academic nonsense subtly misses the point, which is that we are attending Kim's *re-birth*, as even the younger readers will have noticed. The boy and the old man have simultaneously come close to death and are now about to achieve their separate quests – the passage to manhood and the confronting

of death, the two great journeys in all our lives, and nothing to do with being a Sahib.

This politico-historical approach to a masterpiece is so inadequate that it distorts and diminishes it, and it is an approach which is too typical of the rest of the book: you can imagine what Said does with the young Marlow's admission in *Heart of Darkness* that he always wanted to fill in the blank spaces on the map, or Mr Gould blowing up his own mine in *Nostromo*.

It is true, of course, that the novel of the 18th and early 20th centuries contains frequent references to the fact of empire. Said focuses on Britain, and to a lesser extent France and America, and is justified in arguing that the empire is always there, like the servants, undiscussed, in a great house. In the earlier period he grants that the empire is available to the novelist but not always central; after the mid-19th century it becomes a principal subject of attention. He is also right to argue that the careful study of cultural imperialism can help us "draw conclusions that enrich and sharpen our reading of major cultural texts..."

But there's too little pleasure, stimulus, excitement, for the lay as opposed to the academic reader. The professor's tendency to repeat himself is the least of the problems. Too often, reading Said is like climbing a sand dune. For all the exotic location, it is surprisingly exhausting: you are constantly slipping back and when at last you get to the top, you find you have expended enough energy to get you up a real mountain, only to find that this isn't a mountain and that the view is disappointing.

J.D.F. Jones

Fiction/Nicholas Best

Tales of war and the unexpected

OLD SOLDIERS never die, especially not heroes of historical sagas. They simply go on for ever, entering a vigorous shield life long after the last trumpet has sounded, the last battle been won. And when the battle is Waterloo, as it was for Richard Sharpe after a dozen best-selling novels by Bernard Cornwell, there was clearly nothing for his creator to do but put the old boy out to grass and go back to the drawing board again with a different soldier, different war, different country altogether.

Rebel is the result, the first in a Sharpe-like series intended to chronicle the American civil war through the eyes of Nate Starbuck, a refugee from Yale Divinity School, who has come south in pursuit of a woman and finds himself stranded in Richmond just as the first shots are fired at Fort Sumter.

Nate's father is a fire and brimstone Yankee preacher, troubled all over the South (and by Nate himself) for the virulence of his opposition to slavery. Rather than be tarred and feathered as his father's son, Nate elects to join the Confederate army instead, enlisting in a private regiment raised by the father of an old Yale friend. They shoulder arms and march towards Bull Run, where Nate's brother is serving on the other side...

It's the formula much as before, in fact, a nice picture of fighting on the front, lots of action between the covers, plenty going on to keep the reader thoroughly absorbed. The author is not quite in the Margaret Mitchell class – he cannot match the tension and excitement of *Gone With the Wind* – but the book is perfectly convincing all the same, a sure-fire best-seller if ever there was one. No doubt Rebel Yell will follow in due course, and Johnny Rebel after that and – well, you could almost name the rest yourselves.

Less predictable is Terence Stamp, who after three volumes of autobiography has decided to try his hand at a

REBEL
by Bernard Cornwell
HarperCollins £9.99, 308 pages

THE NIGHT
by Terence Stamp
Phoenix House £14.99, 338 pages

THE BLACK COOK'S HISTORIAN
by Graeme Rigby
Constable £13.99, 175 pages

RAVEN
by Thomas Strittmatter
Chatto & Windus £9.99, 240 pages

novel, and a rather unusual one at that. Billed as a philosophical comedy, *The Night* tells the story of a dinner party in Holland Park, and of the eight somewhat freaky people who attend it.

Chief among them is Zeno, an actor/pop singer with a background not unlike Stamp's own, who is into circadian rhythms and 16 different kinds of herb in his Ayurvedic toothpaste. There is also Captain Toby, about whose private life the less said the better, promiscuous Fleur, homosexual Mr Rose and ladies' man Nick, who has been known to get through 14 women at one time, and only two of them disappointed.

Quite a night, by the time it is over. Stamp enjoys himself hugely at his characters' expense and as a welcome bonus reveals a closet intellectual beneath his own handsome exterior. He is into equine, reincarnation, Jung, R.D. Laing, dikkering, Jim Morrison and the earth's electromagnetic field, among other concepts. His characters may not always seem entirely believable to the average reader, but the author moves in exotic circles, so what appears markedly eccentric to the



Terence Stamp: quite a night at a freaky dinner party for eight

rest of us may well seem quite normal to him.

The Black Cook's Historian is an unusual story as well. It charts the career of an 18th century Englishman sold to the press gang and forced to work as galley slave to the cook of the tide. Not for long however, because the cook poisons their captors and takes command of the ship himself, setting all the slaves free. They sail away to establish a new Carthage, taking the Englishman with them. It is an intriguing tale, told with a poet's eye for detail, and has already won the Constable prize, awarded biennially for the best unpublished novel from the north of England.

Thomas Strittmatter's *Raven* is a first novel from Germany (translated by Ian Mitchell) and reads like it too. Its theme is adolescence and early adulthood, as experienced by a bunch of misfits glimpsed first at school, then in a series of low-grade jobs leading nowhere. There are quite a few jokes along the way, but the author's disjointed style and rambling, nihilistic approach leave one wondering what on earth it's all about in the end.

Crime Forced into sleuthing

WHEN THE protagonist of a detection novel is not a police agent but a private citizen, the author is always obliged to explain why he or she does not simply call the police. A frequent answer is: because there aren't any. Perhaps the murder takes place in a remote house, isolated by a blizzard (*The Mouse Trap*), or on an island where the telephone lines to the mainland have been cut (*And Then There Were None*), or perhaps the principals are in a foreign country where the forces of law and order are corrupt and unreliable.

In two recent first novels, the authors seem hard put to make their answers plausible. Bronte Adams, whose *Brought to Book* (Voyage £5.99, 232 pages) includes a lot of wry, convincing detail about life in the world of book publishing, invents an unlikely one-eyed heroine who gets herself into the most absurd punishments rather than risk involving the incredibly suspicious police. The author does not lack a gift for invention: there is enough plot for half a dozen murder stories, the setting is well established, and the sheer absurdity of much of the story (the idea of a one-eyed girl trying to conceal her identity) makes it fun to read.

Sarah Lacey's debut novel, *File Under Deceased* (Hodder & Stoughton £14.99, 186 pages), is traditionally and effectively laid out, though here, too, the intrepid Leah Hunter, virtually forced into sleuthing, seems particularly wilful in not collaborating with the police, especially since she finds the sergeant attractive. The small town setting in Yorkshire is established with real authority, and the social layers of the constricted society are as distinct as the tiers of a cake. The plot is a bit thick, but the novel suggests a real talent. In Lacey's next one, the tough but golden-hearted Sarah will presumably work hand-in-hand with sergeant Nicholls. He may even have won a promotion.

William Weaver

Love off the couch

WHEN Roberta Russell, a New York-bred psychology major and marketing consultant in her late 30s, first met the revolutionary psychiatrist R.D. Laing in 1980, he was 83, with his fame dwindling and his marriage nearing the rocks. As she was heavily overweight and desperately seeking a man to share her life, whilst he was drinking too much and earning too little, she proposed a game plan of co-counselling in which she would work at doubling his income while he was supposed to help her lose weight.

He agreed to give her some time and tape-record dialogues that might make up a book. As these sporadically progressed, she found his "attention, commitment and good intentions against my persistent resistance to taking my own common-sense advice". She eventually spent two months on

R D LAING AND ME: LESSONS IN LOVE
by Roberta Russell
Airlift Book Company £16.95
£12.95, 306 pages

protein malts and a mile of swimming a day, and lost her hated 35 lbs – but did little to alleviate Laing's problems.

Toward the end of the book – and of their third year of acquaintance – he stayed with her for a week in Manhattan and, for the first time, Russell goes all coy: "Of course, I cannot really describe the luxury of this experience, but it changed me forever." Since we have been led to expect this ultimate lesson in love from the outset, and since she has been spilling everyone else's domestic and socio-sexual beans, along with vastly debatable interpretations, this discreet veil is a bit thick.

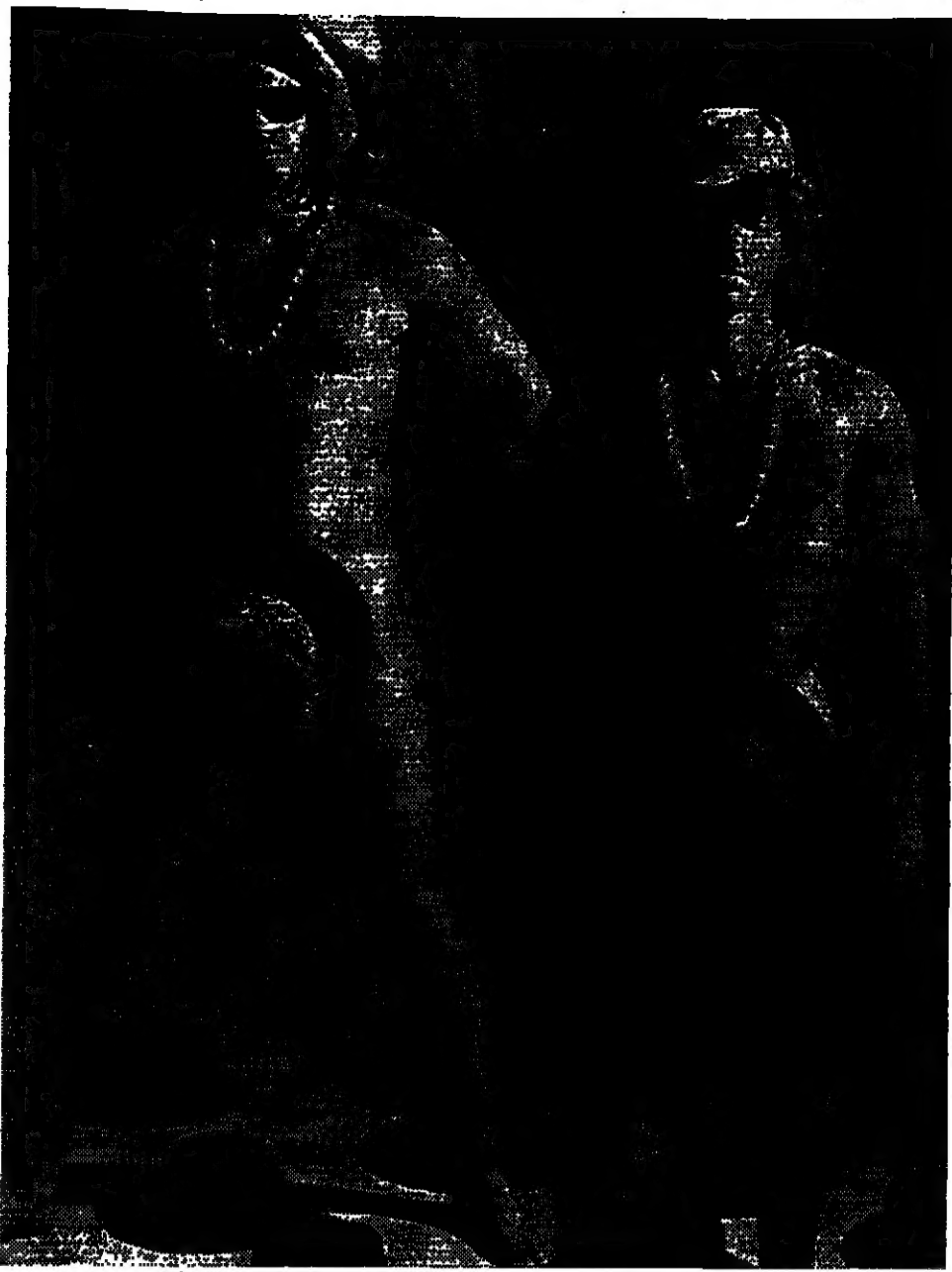
But despite Russell's goody

sentiments and ponderous psycho-babble, her actual conversations with Laing turn the better half of this volume (which he urged her to complete on her own just before his death in 1989) into an absorbing document for anyone interested in the maverick polymath's later development. Laing originated the liberation of mental patients from unthinking subjection to drugs, ECT and lobotomies in favour of more caring individual considerations and long-term healing. Russell's record suggests how much remains worth learning from him by non-specialists, too. His *Divided Self* (1960) remains an indispensable manual for dealing with schizophrenia, even though he never pretended to be able to resolve his own conflicts – let alone to redeem what he experienced as "the injustices of love."

Michael Horowitz

BOOKS/ARTS

Stars shine out in Sundance



Rusty Cundieff's satirical rap 'mockumentary': 'NWA: Fear of a Black Hat'

TONY Chan shot his first feature film, *Combination Platter*, in his parents' Chinese restaurant in Queens, New York for \$200,000. The unsentimental film has no stars – the lead is a fulltime stockbroker – and its humour hinges on an Asian-American perspective, but the 24-year-old Chan has already been approached by three distributors interested in his movie, and by Hollywood agents interested in him.

Dozens of Hollywood talent agents and studio executives crowded into the Utah mountain town Park City last month, viewing everything from the playwright Sam Shepherd's debut as a film director to two filmmakers' grim bonus movie of their own deterioration from AIDS.

Why was Hollywood in Park City? The studio people were among the 5000 film makers, producers and others at the 1993 Sundance Film Festival, an event created so that film makers working outside the Hollywood system could see each other's films. Now Hollywood cannot afford not to be here to tap this talent pool.

This year's awards reflect the festival's range. *Ruby in Paradise*, about a young woman who flees a backward Appalachia for a Florida resort, shared the dramatic feature Jury prize with *Public Access*, the tale of a handsome stranger turned psychokiller in a typical American town. Documentary awards went to *Silverlake Life* and to *Children of Fate: Life and Death in a Sicilian Family*, about three generations of poverty in a now-levelled Palermo slum.

Twelve years ago the actor Robert Redford took over a founding film festival here, and developed the Sundance Institute alongside it, to incubate and promote the work of young screenwriters outside the narrow confines of the studios. The festival accomplished that quietly, introducing David Lynch, Wayne Wang and Jim Jarmusch, among others, to sympathetic critics and distributors.

It was after one young director's first film, called *see, yes and videotape*, charmed Park City in 1989 and went on to take in more than \$60 million at the box office that Hollywood began to pay attention. Attendance has risen 30 per cent a year since. Critics located the promise of American cinema there more than a decade ago, and now the box office is confirming that judgment. The big studios' growing emphasis on high budget blockbusters has also driven more modest ones into independent hands. Actors in search of challenging roles are natural allies. The term "independent film" has become hard to define: the Hollywood "independent" producer's \$10-million movie now shows alongside the \$25,000 gay road odyssey at Sundance.

David D'Arcy finds all Hollywood in Park City, Utah, talent spotting at the film festival

Still, if the festival's mission has been to take independent films beyond their perennial art house audience, then Sundance has been a success. A dozen films from last year's festival had national releases, among them Errol Morris's documentary biography of Stephen Hawking, *A Brief History of Time*, and *Reservoir Dogs*, the bloody heist film debut of Quentin Tarantino. At least another dozen will get into theatres this year.

Besides *Combination Platter*, the 1993 feature competition included *Twenty Bucks*, a picturesque tale of vagabonds focusing on a twenty-dollar bill changing hands over the course of several days in Los Angeles. Like many American independent films, this was a twist on a well-worn story. The Spanish-language Texan film *El Mariachi* offered its own version of the gangster theme, when an itinerant musician in a border town finds drug dealers' guns in his guitar case. *El Mariachi*'s 24-year-old director, Robert Rodriguez, has been

hired by Columbia Pictures to direct a higher priced remake of his own script. Columbi has also bought his next screenplay.

Along with the work of precocious novices, Sundance also screened films by veterans such as Victor Nunez, of Tallahassee, Florida, who helped start the independent film movement more than 20 years ago. Nunez's *Easy in Paradise* follows a young woman adjusting to strange surroundings with a slow, meandering pace that an impatient studio would want to accelerate. Curiously, Hollywood is now courting the director who turned his back on its way of telling a story.

The competition also presented *Boring Boring*, the debut of Jennifer Chambers Lynch, the 24-year-old daughter of

the field was Nick Broomfield's response to America's mania for publicising appalling crimes, *Aileen Wuornos: The Selling of a Serial Killer*. Wuornos is a former Florida prostitute condemned to death for killing seven male clients. Wuornos claims self-defence, but the media have branded her "America's first female serial killer." Her notoriety proved to be an asset. The police had sought to sell the film rights to her story even before they arrested her. Also cashing in are a woman who had adopted Wuornos; and Wuornos' lawyer, an obese former rock musician who advised her to plead no-contest. Both of them are paid on-camera for arranging interviews for Broomfield.

Not all the Sundance documentaries were so serious. Some were even fictional, such as the satirical rap "mockumentary" *NWA: Fear of a Black Hat* by Rusty Cundieff. *NWA* stands for *Niggas With Attitude*, a parody of the controversial group "N.W.A." *Niggas With Attitude*. *Fear of a Black Hat* targets rap's notorious misogyny and its mania for "badness." Some real rappers have said that they have been stereotyped negatively by the 28-year-old Cundieff, a comedian who wrote the screenplay, directed, and stars as the belligerent rapper Ice Cold.

As a first-time black independent filmmaker, Cundieff fits the Sundance profile. He also breaks it, since *Fear of a Black Hat* could emerge as a mass-audience hit, like the earlier movie it parodies, *This Is Spinal Tap*.

With diversity in independent film comes conflict. Young filmmakers bristle at charges that they are selling out, becoming "Hollywood directors for hire." Women filmmakers attack the violence that new directors often use as a trademark, and racial minorities and homosexuals clamour for equal time.

With technology's expansion of low-budget filmmaking, this splintering is a natural development. It suggests that Sundance has fulfilled its mission. But the needs of Hollywood itself for ideas and talent may end up sustaining the festival.

Off the Wall/Antony Thorncroft

Alarm bells for real

AFTER more cries of wolf than even Dracula could manage, arts organisations throughout the UK could finally be in real trouble in the next few weeks.

The local authorities give over £300m a year to the arts, more than the Arts Council, and in recent years many have started to be proud of this expenditure. Glasgow, Birmingham, Manchester and Leeds are just some of the cities that have spent heavily on the arts to raise their profile to draw in business investment and tourist expenditure.

But remorseless cuts in government funding, and the need for local authorities to concentrate resources on front line activities like housing and welfare, mean that the arts could suffer real damage in 1993-94. The final decisions will not be made for a month or so but the alarm bells are ringing furiously around the land.

London seems certain to be badly hit, with the boroughs of Brent, Hounslow, Lambeth, Camden and Hammer-smith giving most cause for concern. It is the arts centres receiving over £100,000 a year, like the Tricycle Theatre in Brent and the Watersman in Hounslow, which are biting their nails. The Young Vic in Lambeth and the Greenwich Festival are also in the frame for cuts.

They are unlikely to lose all, but reductions of up to 30 per cent could decimate their activities. The Arts Council has made clear that it cannot increase its 1993-94 grants, which it has already announced. Nor can the London Arts Board. There is talk of the loss of one major arts venue in the next few months.

Outside the capital, the Victoria Theatre in Stoke, the Octagon in Bolton, the Crucible and Lyceum theatres in Sheffield, and the Bristol Old Vic are thought to be vulnerable to reduced grants. In Manchester the council seems to have singled out the Library and Forum theatres, and Liverpool is in its usual knife-edge state. The Bournemouth Orchestra is very concerned, and even the famed arts of Birmingham are not regarded as immune from the Council's declared cuts in its budget.

Perhaps the greatest devastation will occur in towns like Harlow and Milton Keynes where the necessary cost savings could only be achieved by halving or eliminating altogether arts expenditure. Activities like theatre in schools are an obvious candidate for the chop following reductions in the education budget in Greater Manchester and elsewhere.

What makes the situation much more serious this year is that alternative sources of funding are just not there. The Arts Council has pegged its grants to an average 2.5 per cent rise; commercial sponsorship is much harder to come by; and box office revenue is falling virtually everywhere. There is also the knowledge that the Arts Council faces an actual reduction in its grant for 1994-95. Many arts companies, and local authorities, feel that if the situation is likely to deteriorate further, it is hardly worth trying to struggle through this year.

The combination could lead to closures. But its more insidious effect will be to make theatres, orchestras, dance companies, and opera houses play safe, presenting traditionally popular works for longer periods and avoiding the new and the challenging. It is a short term solution which will

Remorseless cuts in government funding mean that the arts could suffer real damage

lead to a long term disaffection with the arts.

All this is just one more headache for the Heritage Secretary Peter Brooke who so far has shown himself to be a lack lustre defender of the arts, in thrall to his civil servants. If he could promise to restore cash growth in 1994-95 the will to live would be stronger. As things stand the Arts Council might well avert its gaze if a flagship arts company goes to the wall, in the hope that a first rate crisis will force the government to take funding the arts more seriously.

On March 21 Radio 3 is transmitting

The Hammer, a gothic thriller presented by the touring drama company Red Shift Theatre. Independent productions have started to infiltrate the very soul of BBC Radio.

This is partly a matter of cost saving; partly an attempt to widen the creative input. It is strange that with all the new plays appearing on the Fringe, or even in sizeable theatres, few get a radio airing. If anything, the flow has been the other way. Howard Barker's *Scenes from an Execution* started on the radio before being fleshed out by Glenda Jackson at the Almeida last year, and the Traverse in Edinburgh will soon play host to Tom Courtney in *Moscow Station*, a Radio 3 production of last summer.

The Hammer, which stars Martin Jarvis and Bill Nighy, is produced by Essential Productions, which sees radio as wide open for independent producers. And not just in drama: coming up shortly is Radio 3's first independent music series, *Re-wind*, hosted by singer Robert Tear.

What has slowed the process is the lack of experience of working in radio by theatre and music directors. But the situation in the UK is paradise compared with American radio which is totally monopolised by music, usually from the pop charts.

A few years ago a group of Hollywood actors set up LA Theatre Works in an attempt to create a domestic

radio drama industry. Naturally they looked to the BBC for advice and commissions, and a succession of movie names, like Richard Dreyfus, periodically quit LA for a week or so to record in London. This month Walter Matthau makes his radio debut at the age of 72 in a Fay Weldon play, *The Hole in the Top of the World*.

Like many other businesses the Edinburgh Festival is currently in thrall to the slump in sterling. Its fall has raised the cost of some planned events by 20 per cent and makes it difficult to confirm whether visits from overseas companies are financially viable. But Edinburgh has boldly announced the bones of the 1993 Festival, the first in which the hand of new director Brian Macfarlane is visible.

No surprise that there is no one big overwhelming theme, and no surprise that opera is prominent, which reflects both Macfarlane's taste, and research suggesting that opera pulled in visitors who then added on other events. A highlight is "Verdi – from first to last", starting with his first, very rare *Oberto*, ending with *Falstaff*, with three in between. There is also a Schubert meets Janáček theme, and anticipated visits by 14 major orchestras bringing in their train Tennyson, Schütz, Loth, Donohoe, and more.

In these directors are named but not their plays. They are an impressive international quartet – Peter Stein, Robert Lepage, Klaus Michael Gruber and Robert Wilson. In dance the Mark Morris group makes a swift return after its 1992 success and also from the US there is a debut by the Bill T. Jones/Arnie Zane Company.

agents seem likely to dent it.

Despite derisory rates of payment, and the lack of outlets like the *New Yorker*, exciting short fiction is emerging. Ian McEwan, Adam Mars-Jones and Georgina Hamrick are among the few who achieved prominence firstly through their short fiction, though McEwan abandoned the form to concentrate on novels. James Kelman's *Not Not Novels* The two was a dazzling display, but Kelman was only really celebrated when he had also written novels. And John Fowles, Mars-Jones and others are experimenting, linking places together into coherent, novel length works.

Mars-Jones prefers the short form because it does not invite readers to immerse themselves in a fictional world; they are "always aware of the outside edges", as he puts it. Yet the publishing machine exerts considerable pressure on him to grow up and write proper books – novels. He wrote one, which is published by Faber this June, and now worries that it will be reviewed as "short stories in drag". He sums up the British practice neatly: "The short story is a bouquet given by publishers to successful authors."

Tonight's audience at the South Bank may emerge satisfied, but unless British complacency is redressed, the short story will never flourish here like its American cousin. An award attracting the same status and media attention as the Booker Prize but targeted at story collections would be one boost. Another would be a decision by the Sunday supplements to publish good – really good – short fiction.

Short Stories/Gerard Gardiner

Cinderellas of the trade

right name on the cover. They lead a poor life. Anthologies of foreign fiction are used by adventurous readers to sample new writers before shelling-out for a novel.

Bringing up the rear are the indigenous breeds: Malcolm Bradbury's *Modern British Short Stories* is a sturdy contender among these because students have to buy it for courses; anthologies targeted at specific readerships (women or gays) follow closely behind; thematic anthologies, like the *Serpent's Tail* series, make up the numbers as do showcases for new writing, like the *Faber and Heinemann/Minerva* series. Lumbering in last are anthologies of competition winners. Novels romp home, clear winners, every time.

Reputations sell literary fiction, and reputations are built on novels. Those few writers who specialise in short stories, like V.S. Pritchett and William Trevor, are denied the acclaim heaped on novelists. And the publishing industry compounds the problem by treating the short story as a suitable medium for beginners, or failed poets.

American attitudes are, and always have been, more enlightened. The editor of *Granta*, Bill Buford, is familiar with approaches on both sides of the Atlantic. "Stories here tend to be commission-generated, and generally as inspiring as the commissions," says Buford. "First Love. The respect is missing."

The form is invigorated in the US by a plethora of publications. Prominent among these is the *New Yorker*, which publishes at least one story each week and performs three vital functions: it attracts a wide, varied readership; it introduces new writers; and it funds them to continue writing (it pays \$1 per word, with higher rates for pieces under 2500 words).

There is no equivalent British vehicle. With a payment rate of between \$500 and \$2000, *Granta* is the most generous magazine here. Its circulation is 100,000, but unlike the *New Yorker* most of its readers are academics, writers or journalists. Other specialist literary magazines have small circulations; and the *London Review of Books* now rarely publishes short fiction.

Worst fiction? Women magazines choose fiction which blends with their tone, so no publication exists to promote the literary short story.

Radio 4 is the largest patron, but there are severe constraints on writing for radio. Duncan Minshull, who produces the daily short story, receives between 100 and 150 manuscripts each week, few of which suit the specific requirements of his 15-minute programme: pieces must be 1500 words long, and some publishers at least one story each week and performs three vital functions: it attracts a wide, varied readership; it introduces new writers; and it funds them to continue writing (it pays \$1 per word, with higher rates for pieces under 2500 words).

Minshull increasingly commissions from writers whom he knows will produce good material, so the outlet bears an uncomfortable resemblance to Journalism. Yet he still manages to find excellent pieces, good enough to publish a selection. *Telling Stories* sold extremely well for a short story anthology – around 10,000 copies demonstrates the existence of a market for short fiction.

The other main outlet is the leading publisher of thematic anthologies, *Serpent's Tail*. Its trade paperbackbacks comprise a handful of pieces from established authors, together with about 15 contributions from less well-known writers whom they hope to introduce to a wider readership. Yet sales of these may only reach a few

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9th February Decorative Works of Art:

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10th February Oriental Works of Art:

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Lecture: Chinese Art for the European Interior
Colin Sheaf, 2.30 p.m. and 6.30 p.m.

11th February Pictures:

Demonstration of Picture Frame Restoration and Gilding and advice on picture cleaning, all day
Lecture: 'Just Look – Assessing Pictures'
Jonathan Horwich, 1.00 p.m. and 6.30 p.m.

16th February Jewellery, Silver and Watches:

Demonstration of Diamond Cutting, all day
Lecture: Cameos and Intaglios Through the Ages
Richard Digby, 1.00 p.m. and 6.30 p.m.

17th February Ceramics:

Demonstration of Ceramics Restoration, 11.00 a.m.-3.30 p.m.
Demonstration of Glass Engraving by Simon Whistler 11.00 a.m.-3.00 p.m.
Lecture: European Ceramics in their Original Context
Hugo Morley-Fletcher, 1.00 p.m. and 6.30 p.m.

18th February Works on Paper:

Watercolours, Prints and Photographs
Demonstration of Paper Conservation, all day
Lecture: The Golden Age of English Watercolours
1750-1850, Martin Butlin C.B.E. formerly of the Tate Gallery, 1.00 p.m. and 6.30 p.m.

For further information, please contact Kate Eckett on (071) 389 2129.



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IT SEEMS that the British are finally to be educated about chess. On Monday *The Sun* newspaper, in its own inimitable style, published "Ten things you didn't know about Nigel Short". This sort of accolade *The Sun* normally reserves for pop stars and soap actors, but Short is about to become as much a household name as any in those categories. Following his victory a week ago in the final eliminator of the three-year-long world chess championship, Nigel will in September become the first Briton to contest a match for the title, and only the third non-Russian since 1927.

Short is set to do for chess what John Curry and Robin Cousins did for ice-skating: turn it into a British craze, particularly among the young. *The Sun* is right, therefore: the time has come to explain the

A-Z of chess begins with K

Dominic Lawson lists 10 things you probably did not know about Short's sport

game of kings in a way which is comprehensible to all.

To win at top-flight modern grandmaster chess it is normally required to have a surname beginning with K. Kasparov is the world champion. He succeeded Karpov, who himself fought off two challenges from Korchmalo. The two strongest teenage players in the world, who will be fighting out the world chess championship well into the next century, are called Kramnik and Kramnik. Vladimir Kramnik is 17 and already has a higher chess world ranking than Short who, at 27, is sometimes called "the grand old man of British chess."

When, last week, I told Short that his name began with the

wrong letter, he replied that he had looked into this, and that three of the 13 official world champions since 1886 began with S - Wilhelm Steinitz, Vassily Smyslov and Boris Spassky - and that this made the letter S the most successful and desirable chess initial. But Nigel admitted he is hedging his alphabetical bets: his gurn and coach is grandmaster Kavelek.

Those who followed Short's recent victory will note that his opponent, Jan Timman, was from the Netherlands. The only European to have won the world championship in the past 60 years was another Dutchman, the late Max Euwe. Theories have been advanced that the flat terrain of the Nether-

lands is responsible for the national success at chess. Pieces never slide off the board, which aids concentration and analysis.

The British chess master and industrial psychologist William Hartston has attempted to apply similar arguments to chess ability. Players with close-set eyes are likely to miss moves at the outer areas of the board, while players with wide apart eyes are vulnerable to thrusts in the middle of the board, players with long arms like to make extended, sweeping moves, and so on. There is no proof of any of this, but it might also all be true.

I am often asked: "Is there hoodlumism in chess?" The answer, I am afraid, is yes. The Romanian

grandmaster Florin Georgiou is in the habit of hurling the pieces at the board with such ferocity that they have been known to bounce up and strike opponents on the head.

Even the world champion, Gary Kasparov, is prone to sneering openly at his opponents' bad moves. Once he did this to the US champion Yasser Seirawan, and Seirawan snarled over the board: "Do that again, buster, and I'll tear your lungs out." This is known as the Seirawan counter-gambit. It is important, when essaying the Seirawan counter-gambit, that you are bigger than your opponent.

Another question often asked by non-initiates is whether grandmasters can take their moves back?

Technically, the answer is no. It is possible to adjust a piece's position within the square if it is off-centre, but etiquette demands that this is preceded by the utterance "J'a-doube". Milan Matulovic, a Yugoslav grandmaster, was notoriously prone to playing a blunder, and then retracting the move, while muttering "J'a-doube" in a thick Serb accent. He was known, naturally, as grandmaster Jadoubavitch.

The main problem for the British media, now that chess is about to become big news, is that players' names tend to be difficult to spell, and even more difficult to pronounce. Having heard news-readers' tongues stumble over such simplicities as Korchmalo, Karpov and Kasparov, I fear for the worst when Kasparov plays against Short: the name of Kasparov's chief aide is Zurab Azmatparashvili. It is a disaster waiting to happen.

by Dominic Lawson is editor of *The Spectator*.

Game, set, match

Michael Thompson Noel



FOR TWO hours on Thursday I banged balls with my tennis coach, Jasper Strong. I haven't mentioned my tennis coach before. The reason I haven't mentioned him is that I resent the hand he was dealt by the gods and goddesses that presided at his birth.

Jasper Strong is 6ft 5in to my 6ft 2in. He has long blond hair and the physique of a discus-thrower-at-Olympia. He is 23 years of age and has never been told, as Joan Didion once put it, that golden lads and girls all must as chimney sweeps come to dust. Result: he lives in a fantasy world where everything, especially the future - looks "brilliant."

On Thursday we worked on my backhand volley. Eventually (we have a machine that measures this), Jasper was hitting forehand drives at 27mph at my left eyeball. At those sorts of speeds, one slip and you're dead; the ball would splatter your brain.

Afterwards, we sat on the clubhouse steps and Jasper ribbed me about John Major's recent upstaged speech at a Tory fund-raising dinner. According to the prime minister, the British have a genius for running themselves down. "It's time to start selling Britain abroad," he said, "and stop selling Britain short." There were sound reasons for optimism about

HAWKS & HANDSAWS

Britain's prospects. "I suppose," said Jasper pleasantly, "that John Major was taking a swing at all you whingeing Wilhelmians in the media. You're doomsters and pessimists. You're in misfortune. Major must be sick of you. Life is really quite enjoyable, you know."

"Jasper," I said. "It wasn't until I read John Major's catatonically chirpy speech in Glasgow that I realised how far down the slippery slope we really are. We are goners, Jasper. The show is over. Game, set and match. Or virtually."

"That's not what catatonic means."

"Never mind. Until that speech I had the whimsical notion that we might just pull through. Now I'm certain we are doomed. The trouble with mankind is its optimism. At present, a few John Bull characters are telling us there is nothing to fear but fear itself; that the recession is a hiccup; that Man's ascent from the primeval soup to mastery of the galaxy will shortly recommence. Do not believe a word of it."

Jasper stirred uneasily. He is not used to hearing things spat out. Apart from me, all his clients are rich women who live in the vicinity of London's Kensington Church Street: fantasyland, dailysworld.

"The biggest problem of all," I said. "is mankind's population growth, but no politicians are grappling with it. John Major doesn't know whether steering should go up or down, so how can he envisage the prospects implicit in runaway population growth? The UN reckons that world population will plateau by 2100, at around 11.5bn, more than twice 1990's 5.3bn."

"But an environmental crisis caused by pollution and consumption is already strangling us. Deforestation, land degradation, Red tides. The ozone hole. Possible global warming. Mass extinction of species and attrition of biological diversity. Ahead of us lie what Paul Harrison, a population expert, calls 'four decades of the fastest growth in human numbers in all history'."

"You should read Harrison's book, *The Third Revolution*. He says that the population battlefield has been stamped into a morass. On one side are the Cassandras, the more extreme of whom blame overpopulation for almost every ill that human flesh is heir to."

"Attacking the Cassandras from the left are the socialists. For them, inequality in all its forms is only disease, and population growth is only a symptom. On the right, conservatives see interference in free markets as the only obstacle to everlasting prosperity. They welcome population growth and can see no reason why it should not continue until we have colonised the entire galaxy."

"I, Jasper, am a Cassandra. Unless the Cassandras are heeded, it is all over bar the shooting."

"What is your solution?"

"I said: 'I think I have run out of words. I'll tell you next week.' Just then, Jasper's mobile phone rang. It was Priscilla Huntington-Koening, one of his Kensington clients, asking him to visit her. Her day had been brilliant. Wasn't life just wonderful. She had been to Harvey Nicks. Had only spent £12,000. Said the place was deserted."

by Michael Thompson Noel is a pseudonym. I B Tauris & Co, £18.95.



Private View/Christian Tyler

Sex secrets of art history

dertal. I mean, I think art is so brilliant. I admire the whole process. I wouldn't dedicate my life to studying it. I wouldn't be so hungry to understand it, if I was not quite literally made speechless with admiration at what artists can do."

Do you get some feeling when you see an exhibition of dirty nappy-liners? (I was referring to Mary Kelly's *Post-Partum Document* shown at the ICA in 1976).

She replied: "It wasn't an exhibition of nappy liners. That's a *Daily Mail* view. It's in the ordering, not the objects. Mary Kelly's work is deeply imprinted with the aesthetic preferences of minimalism." Just as the message of a Rubens painting of Christ depended on the spectator's knowledge, conceptual art was legible to those who bothered to learn the language.

Why are you a feminist art historian not just a female one?

"There are no such things as female art historians. If you are a woman you are required to be a professional transvestite. To be a feminist art historian is to say the world might be slightly different from the point of view of women. Women travel in social space differently. I can't walk down the street in the same way as you do."

I asked her about *The Nude*. Is it wrong for men to have used women's bodies for so many hundreds of years?

"Not wrong in the moral sense. It is typical of our culture in so far as it privileges masculinity."

You quote with approval a theory that men's idealisation of naked women is due to their fear of losing

their willies. Might it not just be because they like the look of a naked woman lying on a bed?

"If you liked the look of a naked woman lying on a bed you wouldn't make nudes. If you actually liked women, as Stanley Spencer seems to have done, you would look at the form in which their bodies actually come. The point is that looking at women is extremely difficult for men because the body of woman has become for men a sign of the danger to themselves."

I don't say you can't have your fantasies. But at whose cost? That's

Weren't you pretty too?

"I was a sad, earnest young woman who wanted to get an education, and passionately wanted to be allowed to be a thoughtful and sensible person."

"I saw these louts who'd got degrees by playing rugby and so on while we were being told (by the careers office) to go and be these men's secretaries. I thought that was unbelievably unjust."

At the Courtauld Institute she was asked to give up her scholarship in favour of a man, realised the women students were not being

man word for Yiddish. (I could find no support for this in the dictionary).

She was much angrier when I accused her of writing in a way that obscured an interesting story and using terminology that would appeal only to feminists.

An altercation ensued and she said: "I write with incredible passion and with a sense this is relevant, not academic. It may be hard, it may be challenging, it may be unfamiliar vocabulary. But I will not give an inch to what I see as philistine, anti-intellectual British

She recalled a stage of her activism which she described as a kind of political lesbianism. "I have very many dear, dear friends who are lesbians. But so, on the other hand, it's very difficult because I don't think men in general find powerful, intelligent women particularly attractive."

"I sometimes wish men were more understanding of their own anxieties so that they could take responsibility for them and engage more easily with women who are attractive as people."

"To be an attractive woman in a situation like I am means that men just get horribly confused all the time. Because I'm meant to be the receiver of their intellect and then I'm meant to give the gift of my sexual compliance. That's the game. When I promise to be a 'good wife in Israel' (the phrase from the marriage service) I take that very seriously. I am not available for game-playing."

"I am deeply concerned with violence and violation, and art is concerned as much with that as it is with what is subtle, empowering, creative. We need to have both versions of it."

The wrestling over, Professor Pollock was flushed but smiling sweetly once more. Conscious now of my masculine deficiencies I tried my best to look neutral. Forget the tender trap, I thought. This is the gender trap.

■ *Avant-Garde Gambits, the 1992 Walter Neurath memorial lecture, is published by Thames and Hudson, £8.95.*

Professor Griselda Pollock argues that old masters, and old mistresses, look different from a feminist perspective

what most women feel. We are not in this culture, we are the objects of it.

Griselda Pollock is not struggling against her own biology. She is married, to a Reader in computer science at the same university and they have two children.

"He wanted children as much as I do," she said. "I have to struggle with him to get back enough of my children to satisfy my maternal needs."

She was born in South Africa. As oil output declines, the field is being switched gradually to extract the huge bubble of gas which has accumulated at the top of the reservoir. Shell's engineers reckon they can give Brent new life as a gasfield producing 500m cubic feet a day - 5-10 per cent of Britain's needs.

Oil seldom runs out completely. Man either finds new ways of extracting it or the threat of shortage drives prices up to levels that trigger fresh investment. "We went to Brunel in 1921 thinking the oil would last until 1935," says Jerry Saville, until recently Shell's personnel director in Aberdeen. "We're still there."

Although oilmen complain about the UK's high costs, they still see

groomed to run the National Gallery one day and replied by setting up a women's art history collective.

The professor may be prettier than her prose, but she can be just as prickly. We were discussing whether pictures should be studied by gender (a word that in feminist vocabulary seems to imply a choice) when she dropped in the fact that she was Jewish. When I asked her later whether she was born Jewish or was converted on her marriage, she refused to answer. (It may be because she rejects the notion that anyone can be born Jewish.)

Twice subsequently she accused me of offensive, anti-Semitic language: in using the word 'disciple' to describe her readers and the word 'jargon' to describe her prose style. Jargon, she said, was a Ger-

man word for Yiddish. (I could find no support for this in the dictionary).

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Still plenty of North Sea life

From page 1

These are picked up by sensors, which measure precisely its position and make course corrections if needed. Oilmen can even go past a reservoir and bore into it from underneath if their geologists reckon that will yield more oil.

All this has slashed costs. Gordon Culloch, a burly Mississippiian with the Santa Fe company, which operates the rig, says drilling innovations have halved the average time taken to bore a North Sea well to 30 days. "What it's all about is productivity," he says. "Fields are going to get smaller, and we just have to be more efficient. There's no future for guys who can't do that."

About a dozen oilfields continue to be found each year. Most of them are much smaller than Nelson, but they help to preserve Britain's reserves-to-production ratio - a key measure of how long the oil will

last. In fact, the present gloom might be deceptive. Most forecasters believe UK oil and gas output will surge to a new peak during the late 1990s as the Nelson generation of wells comes on stream.

And oil companies have far from exhausted the search. "There's 10 years of healthy exploration left in the North Sea," says John Hogan, North Sea managing director of Lاسmo, which part-owns Ninian's waning resources. But Lاسmo has several other projects going and expects to double its output of oil, and treble its gas output, by 1997.

Just as important as the rate of discovery is the advance in extraction technology. A striking example is Brent, where Shell and Esso are spending £1bn rejuvenating one of

the UK's earliest and largest fields. As oil output declines, the field is being switched gradually to extract the huge bubble of gas which has accumulated at the top of the reservoir. Shell's engineers reckon they can give Brent new life as a gasfield producing 500m cubic feet a day - 5-10 per cent of Britain's needs.

Oil seldom runs out completely. Man either finds new ways of extracting it or the threat of shortage drives prices up to levels that trigger fresh investment. "We went to Brunel in 1921 thinking the oil would last until 1935," says Jerry Saville, until recently Shell's personnel director in Aberdeen. "We're still there."

Although oilmen complain about the UK's high costs, they still see

the North Sea as one of the world's most attractive exploration areas because of the high quality of the oilfields and the hospitable political environment. "It's the centre stage," says Santa Fe's Culloch. "In the US, oil is seen as a sunset industry. Here, it's still exciting and glamorous."

So, what does our swing through the rigs tell us? All the big fields have been found, and some are tailing off already. But the high level of activity and technological advance actually actually lives grounds for hope. Estimating the life of reserves is a notoriously inexact science. The department of trade and industry has calculated that, at the very least, the UK still has 555m tonnes of recoverable oil. At the present

production rate of 91m tonnes annually, that is enough for a mere six years. Nobody believes things are that bad, though.

The DIT's maximum estimate is 1,960m tonnes, enough for just over 20 years, which is the sort of figure you hear more often in the oil industry. But the big change that will occur during the 1990s is foreshadowed by developments at Brent. Gas will become much more important: BP estimates it will account for as much as 40 per cent of North Sea hydrocarbon output by 2000, and that this share will go on rising into the next century. This is what underlies the "dash for gas" which has been blamed for squeezing coal out of the power generation market. The DIT's estimates of

known gas reserves would last up to 36 years at present consumption rates. True, gas consumption will rise sharply in the years ahead - but we may have discovered only half the gas that exists.

So, the North Sea is at something of a turning point. "We've left the pioneering age behind us," says Jan Veldhoef, a Dutchman who heads the local operations of Rockwater, a specialist in underwater contracting. "We mature all the time. We're harvesting experience."

The old image of gigantic platforms pouring out oil needs to be discarded. In its place, think of high-tech rigs sucking out oil from dark corners, and gas hissing out of valves plugged into the sea floor. There could even be enough hydrocarbon and gas to last half a century. By then, who knows what amazing new fuel source might have been invented.